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D 8523A

DISARMAMENT

Events overtake the tank talk

Page 26

World News

Japan offers apology to S Korea for war brutality

Japan's Emperor Akihito formally apologised to Roh Tae Woo, the South Korean President, for the "sufferings your people underwent" during the Japanese occupation of the Korean peninsula.

The statement, made under pressure from South Korea, was designed to mark a "new age" in relations between the two countries. Page 24

France sends troops

France sent 200 troops to Gabon, in response to disturbances in the country. The French move followed the kidnapping and subsequent release of the French consul general in Port Gentil by opponents of Gabonese President Omar Bongo. Page 6

Radio plan shelved

Organisers of the Goddess of Democracy radio ship abandoned plans to broadcast prodemocracy propaganda into China, because of opposition from Taiwan, Hong Kong and Japan.

No Kashmir self-rule

Benazir Bhutto, the Prime Minister of Pakistan, ruled out independence for Kashmir as "extremely dangerous" for the peace and stability of the subcontinent. Page 6

Andean market pact

Peru, Venezuela, Ecuador, Bolivia and Colombia agreed to work a 21-year-old Andean pact into a new common market.

N Korea keeps Kim

Kim Il Sung, the world's longest surviving autocratic ruler, accepted another four-year term as North Korean President and defiantly hailed communism as the only road for mankind. Page 6

Polish rail strike

Striking railwaymen in Poland ignored an appeal by Solidarity leader Lech Walesa to call off their pay protest, disrupting rail traffic across the country and blocking ports. Page 3

Yeltsin support rally

Supporters of Boris Yeltsin rallied in front of the Kremlin to support his candidature for the presidency of the Russian federation. Page 3

Life support stopped

Spanish doctors switched off a life-support system attached to a jailed left wing guerrilla who was critically ill after a hunger strike, his lawyer said.

Rebels evict families

Autonomy-seeking Shanti Bahini (Peace Force) rebels evicted 164 families, who refused to join them, from their homes in the Chittagong Hills in south-east Bangladesh.

Peace radio bombed

A car bomb destroyed the Col-Mundo radio station known as the Network of Peace, in Medellin, as violence continued to sweep Colombia before the May 27 presidential elections.

KGB records sought

Czechoslovak Interior Minister Richard Sacher said he was going to ask the Soviet KGB to track down 10,000 missing documents on former secret police informers, but did not expect much co-operation.

Business Summary

Thorn EMI to discuss with GTE sale of lighting unit

THORN EMI said that it hoped to sell its lighting business to GTE of the US. The British group said it had decided its operation was not big enough to compete against the international industry leaders. A value of $300m is thought to have been put on the business by Thorn. Page 25

MARKETS: Most European bourses were closed for the Ascension Day holiday, but of those open Milan stole the day hitting a new high for the year. The Comit index rose 5.01 to 736.73. In Tokyo the good news outweighed the bad in the continuing announcements of company results, and share prices closed with firm gains in moderately active trading. Back page. Section II

HITACHI and Toshiba were among Japan's big electrical and electronics groups which all reported substantial increases in profits in the year to March. Page 27

NATIONAL Power, UK private generator, has entered talks with 100 other companies about joint venture power stations. Page 24

LI KA-SHING, leading Hong Kong entrepreneur, is coming under intense pressure from potential business partners in the US and Canada, as well as from directors of his main companies, to move his group's legal domicile to Bermuda before Hong Kong returns to Chinese sovereignty in 1997. Page 25

US President George Bush extended China's most-favoured-nation trade benefits, brushing aside congressional criticism and defending his move as in the best interests of the Chinese people. Page 6

BRITISH Telecom, UK telecommunications group, reported pre-tax profits in the year to March 31 of £2.3bn ($3.4bn) from £2.4bn, but the market was still encouraged by the overall performance of the business. Page 25

INTERNATIONAL Telephone and Telegraph Consultative Committee (CCITT), the international phone body, has been warned by the European Commission that its restrictions on private networks may be in contravention of the Treaty of Rome's anti-trust provisions. Page 4

SIR James Goldsmith's Hoylake consortium placed out more than half of its 1.25 per cent stake in its former bid target BAT, the tobacco-based conglomerate. Page 30

FUJITSU, leading Japanese computer manufacturer, would be willing to take an equity stake in International Computers (ICL) of the UK if the opportunity arose, Mr Takuma Yamamoto, the group's president has said. Page 25

TURKISH banks experienced difficult times in 1989, compared with the previous year, according to the latest annual report of the Turkish Banking Association. Page 29

Financial Times will not be published on Monday which is a Bank Holiday in the US and Britain.

Radicals attack Ryzhkov's plans as Gorbachev hints at compromise on Lithuania

Mutiny over Soviet prices

By Quentin Peel in Moscow

THE SOVIET Government was last night facing the unprecedented challenge of a vote of no confidence in parliament, after Mr Nikolai Ryzhkov, the Prime Minister, presented his plans for drastic price rises as the first step in a switch to a market economy.

The move was proposed by the radical minority in the Supreme Soviet, the national parliament, as deputies denounced the Government. Critics said the plan was half-hearted and would raise prices, but delay other reforms.

It came just as the first hint was emerging of a compromise between Moscow and the rebellious republic of Lithuania, after a meeting between President Mikhail Gorbachev and Lithuanian deputies. The Soviet leader was reported to have suggested that Lithuania could be independent in two to three years, if it would abandon its immediate independence declaration to open negotiations.

Mr Ryzhkov, already under sharp attack for his management of the slumping Soviet economy, proposed sweeping controlled price rises, not only for basic foodstuffs, including bread and meat, but also for fuel and energy, iron and steel and other industrial products.

However, he insisted that too swift a transition to a market economy would exacerbate rampant inflation and said the move had to be controlled by continued central planning and government regulation.

The plan was dismissed by Mr Gennady Filshin, economic spokesman for the Inter-Regional Group of radical deputies, as "a camouflaged attempt to double state retail prices, while making no real progress towards a market." He called for a vote of no confidence at the end of the debate.

Although the radical deputies are unlikely to command a majority for that vote, the whole Soviet government plan could be in real danger of rejection because of the combined opposition of both conservatives and radicals.

Whatever the parliament decides, the swingeing price rises proposed are highly unlikely to win popular support in the national referendum now proposed by the Government.

The main criticism from radical deputies, and from many economists, was that Mr Ryzhkov failed to make concrete proposals on any of the institutional reforms to accompany the price rises. In particular, although he promised an anti-monopoly package of legislation, there was no indication of how government ministries and monopoly enterprises would be opened to competition.

The Government is proposing substantial wage increases, as well as special compensation payments, to offset the price rises, although they will cost only Rbs108bn, compared with Rbs130bn in increased revenue from the higher prices. The Government argument is that wage subsidies are more efficient than the current very large price subsidies.

In addition, Mr Ryzhkov announced that the rouble would be devalued in the course of the year to reflect a more realistic value against other currencies, although it would remain non-convertible.

The one ray of hope on a bleak day for the embattled Soviet Government was the hint of movement to break the deadlock with Lithuania.

As a Lithuanian official in Vilnius warned that the energy-blockaded republic was facing "industrial catastrophe," Mr Nikolai Medvedev, a deputy to the Supreme Soviet, said there was "a slow, very cautious narrowing of differences."

He told Reuters news agency that Mr Gorbachev still continued to insist that Lithuania repeal or suspend its independence declaration of March 11, but that thereafter it might achieve its sovereignty in two to three years.

ON OTHER PAGES

Lithuanian premier Kazimiera Prunskiene

Mikhail Gorbachev: hints of compromise

Bush's plea for UN observers rejected by Israel

By Hugh Carnegy in Jerusalem

PRESIDENT George Bush said yesterday that only a renewal of Arab and Israeli peace talks could end the violence in the West Bank and Gaza Strip, as Israel made clear it would not allow UN observers into the occupied territories.

Mr Bush said he was deeply troubled by the escalation of violence, particularly by the killing of children. "I will do everything I can to get the talks for peace going," he said.

Mr James Baker, US Secretary of State, announced on Wednesday that Washington was ready to consider deployment of UN observers if the idea came up at a Security Council debate on the occupied territories in Geneva today.

The Israeli Government argued yesterday that the presence of UN observers would encourage, not prevent, further violence in the 30-month-old Palestinian uprising.

Israel has reacted with angry defiance to a storm of international protest unleashed since an Israeli gunman killed seven Palestinians on Sunday. Subsequent protest riots in the West Bank and Gaza Strip have led to the deaths of 16 more Palestinians and more than 800 wounded.

The Government, however, is evidently worried by the US reaction. Mr Baker's statement reflected increasing US frustration with Israel. It was, however, well received by the Palestine Liberation Organisation which has long demanded the dispatch of a UN peace-keeping force in the occupied territories.

Mr Moshe Arens, Israel's Foreign Minister, said he feared the Security Council debate, and next week's Arab summit in Baghdad, could increase instability in the region. He ruled out the deployment of UN observers and said: "I am seriously concerned that those who incite violence would feel encouraged to engage in further acts of violence."

The authorities insist the lone gunman involved in Sunday's shooting was a lunatic who was not acting from any political motivation.

Mr Shimon Peres, the Labour Party leader, warned on his return from a trip to Cairo yesterday that Israel was isolated as never before and the world believed that it was a stubborn obstacle to peace.

Toyota studies investment in E Europe vehicle plant

By Stefan Wagstyl in Tokyo

TOYOTA MOTOR, the biggest Japanese motor manufacturer, is studying plans to invest in a vehicle plant in Czechoslovakia, in what would be the largest Japanese investment in eastern Europe.

While Toyota's plans are still at an early stage, such a project would do much to raise hopes in eastern Europe that Japanese industry will make a serious contribution to the region's need for foreign capital.

So far, however, Japanese companies have lagged behind European and US companies in discussing specific schemes.

Mr Andrej Barcak, the Czechoslovak Foreign Trade Minister, said in a newspaper interview in Prague that Toyota was one of several vehicle manufacturers approached by the Czech Government to consider establishing a joint venture with Bratislavske Automobilove Zavody (BAZ), a truck plant in Bratislava.

The report listed the other companies as General Motors and Ford of the US, Renault and Peugeot of France, Volkswagen of West Germany, and Kia Motors of South Korea.

News of Toyota's interest emerged during a visit to Czechoslovakia this week by a Toyota fact-finding team, which met Mr Barcak and visited the BAZ works and also the Skoda car plant near Prague.

Toyota said yesterday that it was merely collecting information about conditions in Czechoslovakia.

It had not decided on any particular project nor had it begun any feasibility studies. The BAZ joint venture was only one possibility, said the company.

However, C Itoh, the trading house advising Toyota said the carmaker was considering the BAZ scheme.

Toyota said their were difficulties in making any move in eastern Europe, adding that it was not clear what the Czech authorities intended to do with their vehicle industry.

● Kevin Done, Motor Industry Correspondent, writes: The Czechoslovak motor industry is seen as the most advanced in eastern Europe and western vehicle makers are competing to establish joint ventures with both Skoda, the Czechoslovak car maker, and BAZ, which is seeking to set up a modern assembly venture for light commercial vehicles.

Skoda is in discussion with eight European and US automotive groups in the search for a joint venture partner to inject finance and technology.

The groups include Volkswagen, General Motors, BMW, Ford, Renault, Fiat and Daimler-Benz, but no Japanese car makers.

Separately, however, Skoda is in discussion with two Japanese engine makers, Yamaha and Kawasaki. Skoda said recently that it hoped to complete its negotiations by the end of the year.

Background, Page 25

East Germany seeks to borrow DM50bn

By David Goodhart in East Berlin

THE trust body which owns most state property in East Germany wants to borrow up to DM50bn ($30bn) over the next two years to help the country's industry survive its initial liquidity crisis and start a modernisation process.

Mr Wolfram Krause, the deputy head of the trust, Treuhandanstalt, said in an interview with the Financial Times that it wanted to raise the money with a mixture of debt instruments aimed at international investors.

As an indication of East German industry's difficulties, he said only about one third of the country's state bank's corporate credits, DM120bn, would be repaid.

The money for the trust's "modernisation fund" would be on top of the DM95bn Unity Fund planned by the West German Government to cover two-thirds of the East German budget deficit over the next four years. The plan is likely to cause further anxiety in financial markets already worried about the financing of unity.

However, Mr Krause tried to put the borrowing proposals into perspective by stating that East Germany's 8,000 companies, valued according to West German methods, were worth DM300bn, or DM600bn if land was included.

He also estimated that 1 per cent of East Germany's 108,000 sq km of land was worth DM300m taking an average price of DM250 per metre; in the centre of East Berlin land is likely to cost DM10,000 a metre. Foreign companies are now free to buy land there, but the question of West German claims over houses and farm property in East Germany has not yet been fully resolved.

Mr Krause, a former deputy of the East German state planning commission, dismissed reports that the trust was a hotbed of old communists trying to slow down the privatisation process.

"We are committed to selling companies or issuing their

Continued on Page 24

East German industry sees the future, Page 2

Britain urged to join narrow band of exchange rate mechanism

By Peter Norman, Economics Correspondent, in London

THE BRITISH Government was yesterday urged to enter the exchange rate mechanism (ERM) of the European Monetary System (EMS) in the narrow 2.25 per cent currency fluctuation band rather than in the 6 per cent band used by Spain.

Sir Leon Brittan, Vice President of the EC Commission, said joining the ERM was a "tremendous opportunity to provide the needed jolt to inflationary expectations in Britain." But he warned that "a decision to join it must be for real."

He told a London conference on European monetary union organised by the Federal Trust for Education and Research that the benefits of the mechanism came from the hard-won anti-inflation credibility of countries within the narrow 2.25 per cent fluctuation band.

It would be "doubly unfortunate" if the UK joined the EMS in the 6 per cent band, which Italy left earlier this year, "on the basis that if things came to a crunch sterling could always be devalued," he said.

Sir Leon said that full British membership of the EMS would not amount to the UK making a commitment to full EC monetary union with a single currency and a single central bank. But he warned that other member states could choose to go ahead with monetary union without Britain.

He emphasised that the EC's move towards economic and monetary union would provide concrete benefits for Europe's businesses. "A single market without a single money is an increasingly expensive anachronism," he said.

At the same conference, Mr Peter Lilley, the financial secretary to the Treasury, reaffirmed the UK Government's commitment to joining the ERM "both as an anti-inflationary discipline and to minimise exchange rate fluctuations" with Britain's EC partners.

He gave no indication as to when Britain might become a full EMS member. Nor did he disclose any new developments in the Government's thinking on the wider issue of moving from the EMS to economic and monetary union in Europe.

He stressed that Britain was willing to co-operate with other countries in managing monetary policies but rejected the idea of a single European currency as "almost inconceivable" without Europe merging into a single state.

Mr Brian Garraway, deputy chairman of BAT Industries, gave strong backing to British entry into the ERM and broad support to economic and monetary union. But he warned that only after a sustained period of ERM membership would it be possible to judge whether British industry could withstand the discipline of a fixed exchange rate.

Manufacturing output in the UK underwent an unexpected recovery in March, according to figures released yesterday, rising by 1.7 per cent. This is another indication that the UK economy is not slowing quickly enough for early reductions in inflation and interest. Trade figures on Wednesday showed resilient domestic demand.

Details, Page 10

Weekend FT

Tomorrow: How equal are women in Britain in the 1990s?

●

The pick of international arts festivals

CONTENTS

Where politics does battle with economics

South African president F.W. de Klerk knows there is a need for redistribution of wealth and income but realises if it is taken too far the generation of new wealth will cease

Page 23

MARKETS

STERLING
New York lunchtime:
$1.6875
London:
$1.6900 (1.6935)
DM2.8400 (2.8325)
FFr9.5350 (9.5350)
SFr2.4025 (2.3900)
Y256.00 (same)
£ index 89.0 (same)

GOLD
New York: Comex Jun
$366.6
London:
$363.75 (363.75)

N SEA OIL (Argus)
Brent 15-day Jul
$16.685 (16.70)

Chief price changes yesterday: Page 26

DOLLAR
New York lunchtime:
DM1.6817
FFr5.6585
SFr1.4250
Y151.20
London:
DM1.6810 (1.6725)
FFr5.6425 (5.6300)
SFr1.4210 (1.4115)
Y151.45 (151.20)
$ index 67.3 (67.2)
Tokyo close: 151.43

US lunchtime rates
Fed Funds $8\frac{5}{16}$%
3-mo Treasury Bills:
yield: 7.92%
Long Bond:
$101\frac{25}{32}$
yield: 8.56%

STOCK INDICES
FT-SE 100:
2,277.1 (−10.3)
FT Ordinary:
1,806.2 (−4.8)
FT-A All-Share:
1,124.61 (−0.4%)
New York lunchtime:
DJ Ind. Av.
2,852.70 (−3.58)
S&P Comp
358.38 (+0.9)
Tokyo: Nikkei
32,311.75 (+135.24)

LONDON MONEY
3-month interbank:
closing $15\frac{3}{32}$% ($15\frac{1}{32}$)
Liffe long gilt future:
Jun $82\frac{5}{8}$ ($82\frac{13}{16}$)

EUROPEAN NEWS

East German industry has seen the future – and some of it works

By David Goodhart

THE CHALLENGE OF UNITY

EAST GERMANY'S top managers *stand accused* by their workers, and many politicians, of relishing the transition from Communist boss to ruthless capitalist.

A random selection of 12 of them certainly seem remarkably cheerful as they prepare for the hopelessly unequal contest with world markets.

What they reported about their survival chances was far from cheerful, however. Even the strongest and best prepared companies expect to shed at least a third of their workers and face three to four years of heavy losses as their *protected markets are plundered.*

From the strongest to the weakest they share several immediate problems: a short-term liquidity crisis including inability to service debt or to pay sacked workers the 12 months' wages they are theoretically entitled to; trade unions pressing for speedy *equalisation* of wages with West Germany; for exporters, growing worries about trade with the Soviet Union which *may not be the blessing that* planners in Bonn had supposed; and for all, but especially the consumer goods sector, the prospect of an immediate 50 per cent-plus loss of market share.

The bosses argue that as they *have not* been allowed the five years needed to adapt to a market system they need generous state support and temporary import controls. However, their collective voice is weak. Only a handful of the senior managers in the 180 *Kombinate* (industrial conglomerates) have left or retired since the revolution. Despite their experience and knowledge, the remainder have little political credibility.

With the help of (mainly *West German) consultants*, tax advisers and bankers, most bosses have sketched out a reasonably clear picture of their future chances – at least in the short-term.

Mr Wolfgang Fox, head of the Technical Glass *Kombinat* in Ilmenau, in picturesque Thuringia, has worked out that four of the 12 companies in the *Kombinat* are competitive, five could be after heavy rationalis*tion, and three will* never be.

The 12,000-strong workforce will have to be cut to 7,000 and productivity must rise 60 per cent. Sales will initially fall from 1.2bn East German Marks to DM700m as prices are drasti*cally cut* and *less competitive* areas like bottle production are closed down. Investment will rise from the current level of 2 per cent of sales to closer to the West German level of 7 per cent. Co-operation with the West German glass group Schott, based in Mainz, is expected and after three years Mr Fox should be showing a profit.

Alas, Technical Glass is not typical. Before the East German revolution it boasted one of the best cost structures in the country. And many of the new jobless in Ilmenau will get jobs in the fast-growing Thuringian tourist industry.

Mr Betram Höfer, 37, who has just taken over the country's *largest Kombinat*, Baumwolle (cotton), based in Chemnitz, is justifiably much gloomier. He reckons over more than half the 65,000 workers will lose their jobs and 90 per cent will not find new ones.

Although the *Kombinat* has some strong areas – like spinning – Mr Höfer admits that "West Germany can clothe all 16m of us." He solemnly describes a three-year modernisation programme and plans to raise productivity by 60 per cent but without much conviction.

Also in Chemnitz are two investment goods groups – Textima (textile machinery) and Fritz Heckert (machine tools) – which sell success*fully in western markets but* none the less face huge problems. Mr Peter Dietze, deputy head of Textima, optimistically believes he can keep job cuts to 20 per cent and show a profit in two years.

Like many others, however, he says that depends on debt relief from the state. All East German bosses stress that *their large* "credits" are only a product of a centralised system which sucked in all their profits. Mr Dietze also points out one of the absurdities of converting debt at two to one: "Last year I had to borrow 44m Marks to buy a DM10m machine (the official exchange rate then being 4.4 to 1) and as a result I am now going to *have pay interest on a loan of* DM22m."

Mr Horst Püschmann, at Fritz Heckert, worries about the payments problems of the Soviet Union. Nearly half the group's sales are machinery exports to the Soviet Union which will also come under pressure when the Soviets have to pay in hard currency at the start of next year and will thus be tempted to shop elsewhere. Domestic customers, such as car-maker IFA, have already cancelled orders and Mr Püschmann is reckoning on a 40 per cent jobs cut.

That will have a knock-on effect at Numerik, the electronic controls producer which sells two-thirds of its output to *Fritz Heckert. But Mr Sigfried* Zugehör, head of Numerik, has a solution to his problems – he is being taken over by Siemens.

Most bosses see a West German partner as a condition of survival, and as the *Kombinate* dissolve themselves into private groups or public limited companies most also welcome a share participation from outside. But Mr Peter Kahlert, head of Planeta printing machinery, insists that management must have a say in who buys and says he would prefer two or three big shareholders and no "asset or market share strippers".

Planeta, formerly part of the Polygraph *Kombinat*, is one of *the companies which looks set* to flourish in the new world as it is already earning 70 per cent of sales in the west.

On the brighter side, all the industry chiefs stress that their input costs will fall sharply (up to 60 per cent) and they will cease to have responsibility for the social welfare of their workers.

Some areas of lack of competitiveness may be relatively *simple to resolve, for example* packaging. Mr Friedhold Birnstiel, of the wine and spirits *Kombinat*, says that his brandy can compete with West Germany's in quality but not in looks and is thus unneccessarily *losing* market *share*. He already has a design company from West Germany working for him.

Many of the current top managers will disappear with the dissolution of the *Kombinate* and many others will not be able to take the pace of the new world. However, the heroic efforts of some managers to keep their companies alive and the improvisation skills learnt under years of a command economy suggest others will last the course.

Mr Wolfgang Engel, of the clothing company Aprotex, has found export markets for 80 per cent of his goods next year despite selling only 1 per cent abroad in the current year. *And Mr Joachen Lezoch*, head of the blighted shoe industry, is planning to make artificial bones for dogs.

A feature on the transition problems of German unification appeared on the centre pages on May 21

COMPANY PROFILES:

Baumwolle (cotton): *65,000* **workers, 10.6bn Mark sales, 100m Mark debts. Prospects: only a rump will survive.**

Textima (textile machinery): **30,000 workers, 3bn Mark sales. Prospects: 20 per cent job cuts, two years in the red.**

Aprotex (clothing): **1,200 workers, 150m** ***Mark*** **sales, 120m debts.** ***Prospects:*** **switch to exports, needs debt relief following heavy capital expenditure. Austrian company interested.**

Brehmer (printing): **3,300 workers, 250m Mark sales, 90m debts. Prospects: reasonable, after three years' losses.**

Schuhe (shoes): 40,000 **workers,** ***90m*** **pairs are sold each year. Prospects: poor; the company will be left with 20 per cent of home market at most.**

Chemieanlagenbau Leipzig (chemical **plant builder): 5,800 workers, 3.5bn Mark sales. Prospects: no new orders since December.**

Fritz Heckert (machine tools): **28,000 workers, 3.7bn Mark sales, 300m debts. Prospects: dependent on Soviet Union.**

Technisches Glas *(glass)*: **13,000 workers, 1.2bn Mark sales. Prospects: good, after heavy rationalisation.**

Numerik (electronic controls): **2,500 workers, 400m Mark sales. Prospects: over-dependent on East German machine tool industry but Siemens plans** ***to take 51 per cent and eventually 100*** **per cent.**

Verpackung (packaging): **14,000 workers, 3.2bn Mark sales, 500m debts. Prospects:** ***will lose 40 per cent market share,*** **expects 20 per cent job cut. Technology good, but design needs improving, could be profitable in three years.**

Spirituosen, Wein, Sekt (drink): **4,000 workers, 5.6bn Mark sales. Prospects: One good quality sekt label and good** ***brandy and vodka are potentially com*****petitive, no chance for wine. 50 to 60 per cent of total market share and half the workforce will disappear.**

Planeta (printing): **5,000 workers, 1bn Mark sales. Prospects: among the best in East Germany, 95 per cent of machines** ***exported, 70 per cent to the west.*** **Some rationalisation needed, co-operating with West German group König & Bauer.**

Cossiga rebukes Mafia fighter

By John Wyles in Rome

ONE OF Italy's few political heroes, Mr Leoluca Orlando, is struggling to retain his star status after a severe rebuke from Mr Francesco Cossiga, the Italian President, over allegations he made against the Sicilian magistracy.

Mr Cossiga, who is also Italy's chief magistrate by constitutional position, called the state prosecutors from Sicily's five main towns to the Quirinale Palace on Wednesday to investigate the so far unsubstantiated charges.

Mr Orlando, 44, Christian Democrat mayor of Palermo until the May 6 local elections, *had alleged that the prosecu*tors were deliberately holding back from trying the possible authors of four "political" mafia *murders* over the past decade.

After meeting the magis*trates, Mr Cossiga issued a* statement urging all state institutions to step up the battle against the mafia and saying that Mr Orlando had a moral, political and legal duty to take responsibility for "the grave affirmations" he had made.

Mr Cossiga encouraged the Sicilian magistrates to investigate Mr Orlando's statements as a possible criminal offence.

Observers are still mystified why Mr Orlando turned on the magistrates. He has frequently praised them in the past as loyal allies in his political campaign to convince Sicilian pub*lic opinion* that a *credible* battle against the mafia could be sustained by a group of politicians untainted by any connection with *it*.

After five years of courageous mayoral crusading more *biased towards rhetoric than* action, Mr Orlando was handsomely rewarded in the local elections when he won 71,000 personal preference votes, more than a third of the total support polled by the Christian Democrats (DC) in Palermo. He was re-elected as a councillor but a new mayor still has to be chosen.

However, both before and after the elections, Mr Orlando deliberately challenged the authority of the DC's national leader, Mr Arnaldo Forlani, and cheerfully swapped insults with the party's current Prime Minister, Mr Giulio Andreotti.

Mr Cossiga's preliminary conclusions that he had no reason to believe Mr Orlando's allegations are well-founded *will only increase the former* mayor's political isolation.

This could undermine his position in arguing that the DC *should revive the pre-election* coalition in Palermo based on a ragged mixture of Communists, Greens and citizens' groups *dedicated* to *cleansing* local politics of mafia influence.

Orlando: accusations against Sicilian magistrates

Turkey denies Israel water sale

By Jim Bodgener in Ankara

THE Turkish Government appeared to back away from developing closer ties with Israel yesterday after Mr Ali Bozer, the Turkish Foreign Minister denied the existence of a project that would entail the sale of water to Israel.

Turkey was unlikely at this juncture to follow Greece's example on Tuesday in raising relations with Israel to ambassadorial levels, added senior Turkish Foreign Ministry sources yesterday.

However, "friendly" Arab countries had not yet taken up the offer of a massive water supply pipeline proposed by Turkey, *added Mr Bozer*.

The $4bn "peace pipeline" project was first mooted in a fanfare of publicity in 1988, but dismissed by Gulf countries as impractical politically, and costlier than seawater desalination.

Reports in the press suggested that Turkey would upgrade its relations with Israel in a tit-for-tat measure following an accumulation of Turkish grievances against the Islamic Conference Organisation (ICO).

The Turkish Government has been annoyed by a Saudi move to defer an ICO foreign ministers' meeting to the second half of July, after the hajj pilgrimage, when it is likely to be dominated by the Iranian-Saudi dispute over pilgrim quotas.

Instead, Ankara is keen to discuss what it regards as the more pressing issues of Palestine and Kashmir.

The Government announced it would support the introduction of a separate resolution submitted by Pakistan into the *ICO meeting's agenda, following* a visit by Ms Benazir Bhutto, the Pakistani premier, last week.

Turkish relations with the ICO were already strained over its alleged diffidence during the exodus of ethnic Turks from Bulgaria last summer.

Support from some of the ICO's Arab members for Turkish interests, especially Cyprus, have also disappointed Ankara.

Diplomatic sources in Ankara say that preliminary talks have started between Israeli and Turkish officials on the sale of large amounts of water annually from the Manavgat, Seyhan and Cehyan rivers in south-east Turkey to Israel.

The proposal by a Turco-Canadian joint venture would have involved the transport of the water in giant plastic containers. But Mr Bozer said Israel had only been approached as part of a marketing exercise taking in several other countries.

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Apathy and confusion dominate Polish polls

By John Lloyd

POLAND'S first free local government elections will be held on Sunday amid strong indications that apathy and confusion will dominate the voters' response.

No one doubts Solidarity will win: the latest opinion poll gives the movement over 56 per cent of the vote, with only 14.4 per cent intending to vote for another party and over 30 per cent still undecided. Many of the latter have also said they will not vote at all.

However, Solidarity is an increasingly tattered umbrella, as groups within it disagree and even oppose each other in some localities.

The dominant Solidarity group, which has established citizens' committees across the country, is left-leaning and anxious to stress that its rule of the town and county councils will mitigate the effects of the "shock therapy" which the Government of Mr Tadeusz Mazowiecki is administering.

It has attracted vocal hostility for being "crypto-communist" (the Communist – now Socialist – Party hardly features at all in the polls) and, especially where it fields a Jewish candidate, it arouses bursts of anti-Semitism.

The elections take place amid maximum political confusion. A proper party structure has not yet emerged; the spreading national rail strike poses a severe threat both to the economy and the Government's tough anti-inflation stance; and Mr Lech Walesa, the movement's figurehead, has not yet clarified his intentions on the Presidency, from which General Wociech Jaruzelski will resign soon.

Solidarity, the first of the east European liberation movements to break Communist power, is in some danger of constituting itself as an alternative *nomenklatura* – a move which could be accelerated if its nominees win as clean a sweep of the local councils as the polls would indicate.

Its popularity remains higher with middle-aged and older voters, who supported it passionately in the early 1980s. Younger Poles tend to either apathy or extremism.

Soviet 'slide into chaos' threatens European stability

By Robert Mauthner, Diplomatic Correspondent

THE Soviet Union appears to be "sliding into chaos", a situation which is creating an unstable climate in Europe and hampering the search for new east-west security structures, the International Institute of Strategic Studies said yesterday.

"Events in the USSR have spun so far out of control that there can be no certainty of what the country will look like when, and if, it finally stabilises," the London-based IISS said in its latest annual Strategic Survey. "Perhaps most worryingly for the Kremlin, the very existence of the Soviet Union within its borders is in question."

It says the situation in the Soviet Union is inherently unstable and, neither politically nor economically can the country remain as it is. "It must either take several steps forward in its drive for reform, or several steps backward."

The report points out that the growing social and economic hardships suffered by the Soviet people, the lack of any credible means of improving matters quickly and the new right to express opinions more openly, has proved an explosive mixture. "Without a degree of economic success, the population's rising expectations fuelled by *glasnost* simply cannot be met."

Even if Mr Gorbachev's gamble succeeds and his reforms finally begin to work, much time will be required before the Soviet people derive any real benefits. But their patience may be running out. The introduction of even partial market mechanisms will inevitably result in more hardship for some time to come.

"Whether the Soviet people will be willing to accept this, particularly if the distribution of wealth should become even more visibly uneven in the process, is highly uncertain.

"The public's revulsion against 'acquisitive' co-operatives, and the leadership's capitulation to public pressures on this score, are not a reassuring omen. The attraction of extreme positions, offering apparently easy answers, may grow."

The report says the revolutions in eastern Europe and the tensions which are undermining the Soviet empire have overturned the political and security arrangements that have existed since the end of the Second World War.

"The framework which lent predictability to existing alliance relationships, both in the east and west, has crumbled leaving an instability which will not be easy to overcome."

All the old structures will have to be reassessed. The western alliance will be obliged to adapt much more rapidly than its members would like to the changes which have called into question its original *raison d'être*. The Warsaw Pact's effective demise as a functioning military alliance will inevitably alter the role of Nato, which no longer has a clear threat to oppose.

"Its role is likely to be more like that of an insurance policy, no doubt useful, indeed indispensable, but not the factor around which the European 'household' will organise its life."

Rail strike aimed at government

A SPREADING rail strike disrupted traffic across Poland and blocked key ports yesterday, but the Government refused to make concessions, and talks with four rail unions broke down, Reuter reports from Warsaw.

Leaders of three unions walked out after talks with Government ministers and said they had formed a national strike committee in the coastal city of Slupsk, where the protest started as a small hunger strike, PAP news agency said.

The fourth union, Lech Walesa's Solidarity, opposes the strike but is pressing for more pay talks in Warsaw. Union sources said Mr Walesa had postponed a trip to Scandinavia and Solidarity's national leadership would meet on Friday to discuss the crisis.

Finance Minister Leszek Balcerowicz told parliament the Government would not bow to the strikers' demands.

The strike caused delays throughout Poland and cut off the Pomerania region.

The labour unrest has worried the nine-month-old Government because it is the first protest against the tough economic policies it launched on January 1 to curb inflation and introduce a private enterprise economy.

The strikers want the state railways management replaced and a 20 per cent pay rise to put their earnings 10 per cent above the national monthly average of 932,000 zlotys ($98).

Russians in the Baltics face resentment at 'home'

Christopher Bobinski looks at growing resentment among nationalists of the 'immigrant' population

THE EXPRESSION "Greetings, comrade immigrants" has become a grim joke among Russians in the Baltic republics of Latvia and Estonia who have suddenly noticed they are unwelcome in a place they thought of as home.

The Russians, many of whom settled here a generation or more ago, are increasingly uneasy about moves by the two republics earlier this month to follow the example of Lithuania and restore their independence from the Soviet Union.

Late on Wednesday, Russian workers in Estonia voted to suspend a strike called in protest against the secession moves after an appeal from President Mikhail Gorbachev to return to work.

For many of those involved in the stoppage at more than 20 factories, the dominant motive was anxiety about their future after independence and resentment about the way that native Estonians look down on them. But there was also an undertone of opposition to their own managers and Communist Party officials, some of whom were appointed in the days of Brezhnev.

Nationalism is the driving force behind the Latvians and Estonians in their bid for independence. But among the Russian immigrants, too, similar feelings are stirring, adding to the complexity of the nationalities' problem facing the Moscow leadership.

In Estonia, 27.9 per cent of the population is Russian. Uncertain about the attitude of Moscow, the immigrants are, however, vehemently opposed to Mr Boris Yeltsin, the leading reformer, who is calling for a "sovereign" Russian republic. The strikers say he has made "too many promises to the separatists here."

In Latvia, where Russians make up 32.8 per cent of the population but appear to be more settled than in Estonia, the opposition to independence comes primarily from the huge military establishment. The capital, Riga, is headquarters of the Soviet Baltic command.

Independence would remove a favoured post for Soviet officers. It would disrupt the lives of thousands of families who fear that, if they permit themselves to be dislodged from the republic, basic things like housing will probably not be available elsewhere.

Despite the pressures both from the indigenous Russians and from Moscow, the native peoples of Latvia and Estonia are staying calm, firm in the belief that sooner or later the Soviet Union will recognise their independence.

Officials in both cities talk confidently of resolving the problems they face in unravelling the tangle of knots tying them to Moscow.

It is a gigantic task in the over-centralised Soviet Union, where governments in the constituent republics have little more power than a local council in other countries.

But the links are vital to both sides, making a repeat of the blockade Moscow has ordered against Lithuania unlikely in Latvia and Estonia. Factories in both Baltic republics supply key components to the rest of the Soviet Union and any disruption of production would damage the entire economy.

Riga, for example, is the site of the main power-switch for the north-western energy district, including Leningrad, the Soviet Union's second most important city. This leaves Moscow so far unable or unwilling to resort to brute force.

In Tallinn, the Estonian capital, parliament has been going on with its scheduled business, voting, for example, earlier this week to transfer control over foreign exchange policy away from Moscow.

At the same time, though, over 20 plants throughout the country, staffed mainly by Russians, struck for three days earlier this week, demanding that Estonia's independence legislation be rescinded.

Supporters of Mr Boris Yeltsin turned out for a rally in front of the Kremlin yesterday to support his candidature for the presidency of the Russian federation.

No fewer than 13 candidates were nominated yesterday, including Mr Yeltsin, the most popular rival to Soviet President Mikhail Gorbachev, Quentin Peel writes from Moscow.

The top job in the Russian federation, the largest of the 15 Soviet republics, could be a key power base in a looser Soviet confederation, with growing demands for greater Russian sovereignty in the system.

The proliferation of candidates is likely to extend and complicate the whole voting procedure in the Russian Congress of Deputies, and could prevent a straight run-off between Mr Yeltsin and Mr Alexander Vlasov, who is the current Russian premier and is backed by Mr Gorbachev.

French MPs call for pre-1917 bonds payout

By George Graham in Paris

A GROUP of 84 French MPs has called on President François Mitterrand to raise the fate of French owners of unpaid pre-1917 Russian bonds at his summit meeting with Mr Mikhail Gorbachev in Moscow today.

The group, representing all parties except the Communists, estimates that some FFr2.1bn (£220m) would be enough to reimburse the small investors who still have the bonds, which in 1919 were held by 1.6m Frenchmen.

"The French have not forgotten this affair which is anchored in our collective conscience – and not just of the elderly. It is time to relaunch the talks," said Mr Jean-Pierre Delalande, the Gaullist MP who is leading the group.

French interest has been stimulated by the settlement between the Soviet Union and the UK in 1986, in which £45m frozen since the Revolution in an Imperial Russian account at Baring Brothers was used to repay around 10 per cent of the face value of Russian bonds. Bonds such as the Black Sea 4½ per cent 1913 or the Moscow-Kiev-Voronege 4 per cent 1903 are still theoretically listed on the Paris bourse.

A settlement would present delicate political problems, however. Although France did hold 47 tonnes of Russian gold, this was offset against a French Treasury credit in 1963. The Bank of France still holds in its vaults 2.2 tonnes of gold entrusted to it by Lithuania in the 1930s as well as 1 tonne from Latvia, but as these two Baltic republics press for their independence it seems less likely than ever that the Bank would be ready to change its position and cede the bullion to the Soviet Union.

Mr Mitterrand is expected to have other preoccupations during his five hours of talks with Mr Gorbachev at Moscow's Morozov Palace. German unification and the "architecture of Europe" are expected to provide the main topics of conversation.

Disarmament and the CSCE conference due to take place in Paris are also expected to be on the agenda.

WORLD TRADE NEWS

PepsiCo urges US to let India off the hook

By K.K. Sharma in New Delhi

PEPSI-COLA International has urged Mrs Carla Hills, the US Trade Representative, to drop threatened sanctions against India under the Super 301 provision of the US Trade Law.

PepsiCo, which yesterday launched its cola soft drink in India under the brand name, "Lehar", told Mrs Hills it considers Indian conditions suitable for foreign investment and therefore opposes trade sanctions.

India is now the only country named under Super 301 and faces possible sanctions next *month because of* what the US considers unfair restrictions on foreign investment and trade.

PepsiCo opposes sanctions despite having taken more than three years to win approval for its business package in India after intense government and public scrutiny.

Mr Christopher Sinclair, president of Pepsi-Cola International, said the PepsiCo joint venture with Punjab Agro Industries Corporation and Voltas, a Tata company, had to face more than 20 parliamentary debates and 15 committee reviews under two governments.

The PepsiCo package for its soft-drink concentrate plant involves setting up of a fruit and vegetable processing plant in Punjab with a heavy export commitment. *The company has* agreed to generate exports equal to 50 per cent of its turnover and also that the foreign exchange inflow would be five times the outflow.

The package was approved last year by the Rajiv Gandhi government after protracted negotiations. It was reviewed by the new V.P. Singh government following opposition to it by Mr George Fernandes, Minister for Railways, and finally won approval a few weeks ago.

Despite the hurdles the company has faced in India, Mr *Sinclair maintained PepsiCo* has a major commitment for expansion of its investments and business in the country. He considers this significant because the PepsiCo package is seen as the "most visible symbol in India's attitude towards foreign investment".

The Pepsi Cola drink is being marketed under the name of Lehar because the Indian government discourages foreign companies from using their international brand names since these would give them an advantage over their *Indian rivals. Lehar is* at present being marketed in three towns but PepsiCo plans to sell its entire range of soft drinks all over the country. Investments to be made by bottlers and other joint venture partners are estimated by the company to reach Rs18bn (£600m) in the next 10 years.

Mexico set to open free trade talks with US

By Richard Johns in Mexico City

PRESIDENT CARLOS Salinas de Gortari has won approval from Mexico's upper house, the Senate, to open talks with the US on a free trade agreement.

Formal announcement of a start to the talks is expected to be made when he visits Washington next month.

The Senate, dominated by the ruling Institutional Revolutionary Party, backed the initiative after holding meetings with business and labour leaders. It rejected any moves implying loss of sovereignty.

The Senate also stressed the need to finalise an economic framework agreement with the EC, to give commerce with the Pacific basin high priority, and to strengthen relations with the Latin American Integration Association.

Mr Salinas's initiative follows pessimistic conclusions he drew during a visit to western Europe in January about the implications for Mexico of economic integration in 1992 and the preoccupation with democratisation of East Europe.

Mr Miguel Angel Toro, Mexico's chief trade negotiator, calculates that a free trade agreement with the US would generate 500,000 jobs a year.

The private sector is generally in favour of free trade with the US, although Mr Luis German Carcoba, president of the National Confederation of Chambers of Industry Chambers believes too-rapid adoption of free trade would harm Mexican industry.

Brussels warns telephone body

By Hugo Dixon in Geneva

THE International Telephone and Telegraph Consultative Committee (CCITT), the international phone body, has been warned by the European Commission that its restrictions on private networks may be in contravention of the Treaty of Rome's anti-trust provisions.

On Wednesday the Commission told members of the CCITT's Study Group 3 who are meeting in Geneva that it might require the restrictions to be changed.

The intervention of the Commission, which had never before attended a meeting of CCITT's Study Group 3, caused something of a stir since the CCITT's delegates have traditionally decided the regulations governing international telecommunications among themselves.

It is a mark of the Commission's increasingly tough line on anti-competitive practices in telecommunications.

Mr Jean Baptiste Main de Boissière, head of the French delegation, described the Commission's intervention as 'inopportune and questionable'. He said that the heads of most of the delegations to the CCITT were officials from government ministries and that the Commission should not be interfering.

The meeting has been called to revise the CCITT's notorious D-series of recommendations which are designed to protect public phone companies from competition by private networks.

The CCITT has been under the spotlight since the Financial Times revealed last month that consumers across the world were being overcharged more than $10bn a year for international calls. The cartel practices enshrined in the CCITT's recommendations are partly responsible for the excessively high prices. Study Group 3 is divided into two rival camps.

French delegate Jean Baptiste Main de Boissière (left) with Earl Barbely of the US in Geneva yesterday

One, led by the US, is pressing for a substantial liberalisation of the restrictions. The other, led by France and Japan, agrees that the current recommendations are too restrictive but believes that the interests of users need to be balanced by provisions to protect public networks from excessive competition. The meeting is due to finish today, with much to be done if agreement between the two camps is to be achieved.

● Contel Cellular of the US yesterday announced it had signed a joint venture agreement with Hungaria Telekom to design, build, and operate a national cellular telecommunications system in Hungary.

This joint venture, to be named Contel Hungaria, will be owned 50 per cent by Contel Cellular and 50 per cent by the private Hungarian partners within Hungaria Telekom.

Contel Hungaria has received an operating concession from the Hungarian government for 15 years with a five-year renewal option. The operating concession for cellular service is one of the first concessions that the Hungarian government has granted to a private company in more than 70 years.

The new Contel Hungaria cellular system will be the first national cellular system in Eastern Europe. The system will be designed to provide cellular service to at least 50,000 subscribers by 1993 and eventually to all Hungary's 10.6m people.

Japanese place $8.5bn order for Boeing 747-400

By Robert Thomson in Tokyo

JAPAN Airlines has ordered 20 Boeing 747-400 aircraft, with options on another 34, in a deal worth up to $8.5bn.

The purchases reflect JAL's expectations of increased flight capacity from Japan with growth of airport facilities from 1993, and the ageing of its fleet of 63 conventional 747s. General Electric engines have been chosen for the company's entire 747-400 fleet.

JAL said: "We anticipate that demand growth is going to be about 6 per cent a year for the rest of the decade, and from 1992 or 1993, there is going to be a big increase in airport capacity in Japan. To keep market share we have to have more aircraft as well as buying replacements."

Airport capacity will be increased by expanding at Narita, outside Tokyo, and the new Kansai airport near Osaka.

Telecom groups bid for Warsaw contract

BRITISH Telecom is making its first foray into eastern Europe as part of a consortium organised by Televerket, the Swedish telecommunications utility, which is bidding to provide a mobile telephone system for Warsaw, writes Charles Leadbeater, Industrial Editor.

The consortium, which includes Fintelcom, the Finnish utility, plans to extend the service to about 1m users in all the main towns five years after its launch.

Moscow scrambles to redeem credit rating

Peter Montagnon examines Soviet moves to clear the confusion over delayed trade payments

AFTER MONTHS of stonewalling about its delayed settlements on imports from the west, the Soviet Union seems to be moving to restore its tattered reputation for prompt payment.

In an *FT* interview this week, Mr Anatoly Nosko, a director of the Soviet Bank for Foreign Economic Affairs, said measures had been approved to deal with the problem that has *plagued a wide* range of Western businesses from Australian wool exporters to European chemical manufacturers.

Bankers familiar with Soviet trade finance said the move was a start – "better than total silence from the centre," said one – but that it had raised expectations which now have to be fulfilled. Among the measures promised by the Soviet Union are priority for delayed payments, efforts to boost exports to realise foreign exchange and a reordering of import priorities.

There are no reliable estimates for the total delays in payments. Some Western estimates have put them as high as $1bn to $2bn and it has been clear that they were beginning seriously to affect Soviet trade with the West.

Last week Japanese trading companies said they were halting supplies of steel pipe to the Soviet Union. This week it was disclosed that Italian companies were holding up a whole range of contracts worth between lire 10,000bn and lire 15,000bn.

Trading of Soviet paper in the specialised *'a forfait'* market, where the country traditionally raises much medium-term trade finance, has all but dried up. Bankers say it is no longer possible to quote a firm rate on the paper, though some *quote an indicative Soviet* premium of between 5 and 6 per cent. Exporters who had previously sold for cash have been seeking irrevocable letter of credit cover, putting further strain on the country's borrowing capacity.

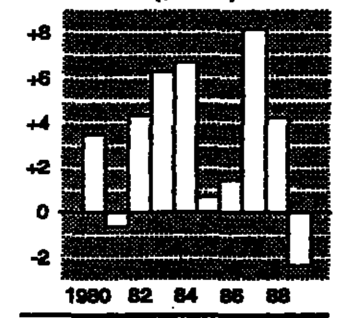
According to the Soviets, the main problem has been the proliferation of enterprises which have been newly authorised to conduct foreign trade under the country's economic reforms. There are now over 12,000 of these and some of them are said to have entered into commitments which they cannot fulfil.

The Bank for Foreign Economic Affairs, which controls the country's foreign exchange position, refused to bail these entities out, forcing them to delay payment to their suppliers. Bankers said that, having *belatedly recognised the damage* this had done to the Soviet credit rating, it was now preparing to sort out the mess, while at the same time reasserting some control over the finances of the wayward enterprises.

The success of the latest measures will depend on the Bank's ability to overcome bureaucratic uncertainty. The more optimistic exporters believe the problem could be resolved as early as the end of June. "It's much easier to centralise in the USSR than to decentralise," said one.

Soviet Union

Convertible currency trade balance ($ billion)



Yet some of the delays have been run up by traditional importers who have been trading with the west for years. *Coupled with the fact that the* Soviet authorities have now proposed broad-ranging measures, this suggests that the problems may run deeper than just bureaucratic inefficiency.

An import spree, declining *domestic production* in the wake of economic reform and the failure of some of the Soviet Union's own clients in developing countries to pay their bills on time are all *thought to be factors which* have squeezed its hard currency financial flows.

This would explain why part of the solution has been to boost exports and to re-order import priorities. What is clear is that the Soviet Union, which already has gross debts of some $51bn, does not wish to get round its present difficulties by adding to its foreign borrowing.

Given its low manufacturing output, the most obvious way for the Soviet Union to increase its export earnings over the short term would be to step up sales of oil.

Large sales of gold would quickly *disrupt the market*, and dealers say there has been no evidence of them. But according to the International Energy Agency, oil sales rose by 400,000 barrels a day to 1.6m in March over February, a far larger increase than the normal seasonal gain.

The increase seems to have been sustained into April, though some experts believe that the cost of such heightened activity in western markets may be reduced supplies to the eastern Europe.

Soviet trade experts add that the reordering of import priorities may affect supplies of machinery and equipment rather than politically-sensitive *consumer* goods.

Meanwhile the pressure on the Soviet Union could mount after the annual meeting in Italy next week of the Berne Union, which groups 40 export credit agencies from 32 nations. Though they themselves are suffering delays on only $100m to $200m of debt and are far from seeing the need for any formal rescheduling, they are concerned enough to consider a collective *approach to the Soviet authorities.*

One purpose would be to seek a way of reinforcing the Soviet political will to clear up the problem. The other would be to ensure, in the wake of the *payment confusion*, that payment guarantees they do receive from the Soviet Union in future would come from entities in a position to live up to them.

OVERSEAS NEWS

Bush extends US trade benefits for China

By **Lionel Barber** in Washington

PRESIDENT George Bush of the US yesterday extended China's most-favoured-nation trade benefits, brushing aside congressional criticism and defending his move as in the best interests of the Chinese people.

The decision, which was expected, means that China will continue to receive the lowest available tariffs for its exports to the US market which last year reached $12bn (£7.1bn), making China America's tenth largest trading partner.

Mr Bush's decision may still face a congressional challenge as lawmakers draw up legislation to force a repeal of China's MFN status. But Mr Tom Foley, House Speaker, said yesterday that he doubted whether opponents could muster the necessary two-thirds majority in both houses to override a veto.

Mr Bush said the decision to extend had been difficult, in the light of the Chinese government-ordered massacre of pro-democracy demonstrators in Tiananmen Square last June. But he had received support from Taiwan, Singapore, Japan and Hong Kong which stood to lose a great deal as the main entrepôt for US-China trade.

In answer to a question, he said: "I don't think this is a reward for Peking," adding: "Isolation is bad, economic involvement is good. Economic contacts are the best way to keep the economic reforms going."

Revoking MFN status for China would have produced tariffs of up to 60 per cent on Chinese goods such as toys and textiles.

According to the White House, it would almost certainly have forced the Chinese to retaliate, producing higher duties on $1.1bn in US wheat sales, and an estimated $1bn in aircraft and aerospace equipment.

It would also have affected millions of dollars of USmade computers, cotton, timber, and paper products, as well as fertiliser and acid.

Mr Bush noted that existing sanctions against China remain in place.

These include a halt on World Bank loans, a suspension of military sales and a freeze on eased technology exports.

Signs of thaw appear in Peking's political stance

By **Peter Ellingsen** in Peking and **Colina MacDougall** in London

CHINA'S hardline leadership may have begun to adopt a more moderate line in the run-up to the anniversary on June 3-4 of the Peking massacre.

Zhao Ziyang, the reformist party leader sacked during the protests in May last year and held incommunicado since, was able to reply to a letter sent to him by Mr Helmut Schmidt, former West German Chancellor, during a visit to Peking which ended on Tuesday. Mr Schmidt refused to specify the contents, according to the West German news agency, DPA.

Deng Xiaoping, China's supreme leader, told Mr Schmidt that the leadership bore blame for the student democracy movement. "The roots of the problem lie in the leadership and the party," he said.

While this can be seen as just another swipe at the disgraced Zhao, it suggests a more lenient attitude to students up to now branded "counter-revolutionaries". Luo Gan, general secretary of the State Council (cabinet), is believed to have told Mr Schmidt that armed police rather than troops would be used if demonstrations occur again.

This follows a US TV interview in which Jiang Zemin, current party leader, said fresh protests would be tackled with "non-lethal" weapons.

Unusually, last week the People's Daily, called for flexibility rather than "copying old ways" to deal with current problems. New methods in new situations were needed, it pointed out. On the arts, it did not attack western democratic values but urged a "new and vigorous" atmosphere.

While this softened line may be window-dressing for the benefit of the US, it has been noted that Li Peng, the hardline premier, has not yet adopted it. This may be the first crack in the ill-assorted post-massacre leadership.

Hyundai secures deal to end strikes at car plants

By **John Ridding** in Seoul

MANAGEMENT and union leaders at Hyundai Motor Company, yesterday reached agreement on working conditions and pay increases and said that the 10-day strike at South Korea's largest car manufacturer would end on Monday.

However, a smooth return to work is not guaranteed because the agreement has not been endorsed by the union membership. Following yesterday's announcement, about 1,500 workers demonstrated demanding the resignation of the union leadership, while 300 workers are staging a protest in front of the union office.

A spokesman for the Hyundai Group, one of South Korea's largest conglomerates, said that "there is no way the agreement can be rejected". He expressed confidence of a return to work on Monday after "a cooling-off period" over the weekend.

Under the terms of the agreement, basic salaries will be increased by 7.6 per cent, far lower than the union demand of 18.95 per cent, and slightly above management's original offer of less than 6 per cent.

The pay increase is in line with the moderate wage rises in the spring bargaining round. So far, pay rises have averaged below 10 per cent, compared with nearly 20 per cent in the manufacturing sector in each of the past three years.

The union leaders also accepted that workers should not be paid for the period during which they were on strike, although the company said it would pay undisclosed compensation by August.

Kim Il Sung to stay on for four more years

KIM Il Sung, the world's longest surviving autocratic ruler, yesterday accepted another four-year term as North Korean president and defiantly hailed communism as the only road for mankind, Reuter reports from Tokyo.

There had been strong speculation early this year, after Pyongyang called assembly elections six months early, that Kim was about to hand over power to his son and designated heir, Kim Jong Il, 48, known as the "Dear Leader".

In recent days, however, as the tightly controlled press continued to pour out praise of the elder Kim, it became clear the "Great Leader" had no intention of moving aside for the "Dear Leader".

Pyongyang's Korean Central News Agency, monitored in Tokyo, said the 78-year-old head of state since 1948, was triumphantly re-elected by the Supreme People's Assembly. He was the only candidate.

The North Korean leader, who in the past year has seen many of his East European communist allies driven from power by democratic forces, said socialism "is the main trend of historical progress, and this is the only road for mankind to take".

UN adds a human element to economics

Anatole Kaletsky reports on a controversial new way to measure development

A NEW approach to the assessment and planning of economic development was proposed yesterday by the UN Development Programme, in a strongly worded report which is likely to ignite political controversies both in the Third World and the industrialised countries.

The UNDP is the main economic development arm of the United Nations, co-ordinating and distributing grant aid of $1.3bn annually to 152 developing countries. In the past it has been a low key participant in development policy discussions. But yesterday's Human Development Report, which was described as the first in an annual series, was clearly intended to raise the organisation's profile.

It is seen by UNDP officials as an intellectual counterweight to the World Bank's annual Development Report, whose more orthodox views tend to dominate the international debate on development.

The heart of the report is a proposal for a new Human Development Index (HDI), to provide a better gauge of development achievements and strategies than the conventional GNP per capita figures used by the World Bank and most economic commentators.

The HDI combines life expectancy, literacy and GNP per capita figures in a weighted average which also reflects gaps between North and South, rather than absolute levels. UNDP officials hope that a simple numerical indicator which can be used as easily as the traditional GNP per capita figures will help to focus attention on the social dimensions of development, as well as general economic growth.

Among the report's controversial conclusions is that developing countries could do much more to improve the welfare of their own citizens without additional foreign aid. Reducing military spending and reforming social attitudes to women are underlined as two of the main ways in which developing countries could boost both human welfare and economic growth.

The UNDP also says that Third World debt adjustment programmes have often entailed sacrifices in terms of human development, but that these human costs were often a matter of policy choice by the developing country governments, rather than compulsion from external creditors.

The UNDP goes on to suggest that external donors should protect human development programmes through the conditions they attach to aid. These should "make it clear that external assistance will be reduced if a country insists on spending more on its army than on its people".

On a more positive note, the UNDP notes that the international aid and development efforts of the last 30 years have been more successful than is sometimes suggested. In terms of life expectancy, literacy, and many other social indicators, the gaps between rich and poor nations have narrowed dramatically even though the purely economic measurements of income have diverged.

The UNDP adds that much more could be achieved in terms of human development through carefully targeted aid. It says this should be aimed at the countries which suffer the deepest human deprivation. Today most of these are in Africa, which the UNDP recommends should receive an "overwhelming share" of the world's concessionary resources.

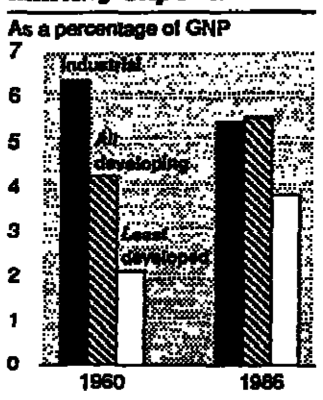
There are also contentious elements in the report's approach to statistics. As a simple indicator of the human element in development achievement, the UNDP compares each country's world rank in terms of GNP per capita with its HDI ranking.

This approach shows that nine out of the ten worst performers in terms of human development are Moslem countries, because of their low female literacy and life expectancy figures. Five of the top ten achievers are communist countries, including Vietnam and Cuba. Among the industrialised countries, the US has the worst human development performance, ranking alongside Ireland and below Spain, despite its much higher per capita GNP.

Despite this unwelcome political element, which is partly offset by a section which argues that political freedom should ultimately be included in the index, the report may carry unusual weight in the US, because of the strong imprimatur of Mr William Draper, the UNDP Administrator, who is a close friend of President Bush.

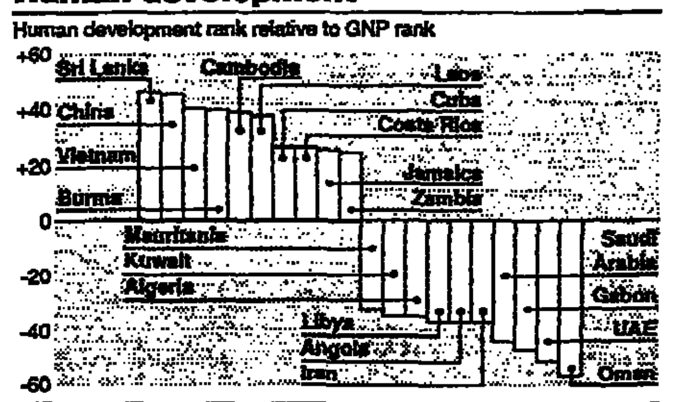
Military expenditure

As a percentage of GNP



Human development

Human development rank relative to GNP rank



Bhutto urging Kashmiris to choose between Pakistan and India

Pakistan says self-rule dangerous

By **David Housego** in Islamabad

MS BENAZIR Bhutto, the Prime Minister of Pakistan, ruled out independence for Kashmir as "extremely dangerous" for the peace and stability of the sub-continent.

At the end of her tour of nine Moslem nations she said independence could trigger off a "balkanisation" which would be "extremely dangerous to peace and stability" and that it would "undo the entire founding principles of the sub-continent".

Ms Bhutto made clear that her support for the self-determination of the people of Kashmir was limited to a choice between joining India or Pakistan. She said that Kashmiris wanted "freedom from Indian occupation" and that a separate state had never been envisaged at the time of partition.

Ms Bhutto has never before spelt out in public so clearly her opposition to independence for Kashmir. Her remarks are bound to cause disappointment in Srinagar where the main popular demand is for independence rather than union with Pakistan. She also announced that Pakistan had the full support of Arab and Islamic countries if attacked by India.

Ms Bhutto said she believed that a conflict was a "real possibility" but not inevitable.

Among the countries she visited as part of a new diplomatic campaign to enlist support and understanding for Pakistan's case were Turkey, Iran, Syria, Egypt, Tunis and Libya.

Ms Bhutto is urging the Conference of Islamic Nations (OIC) to pass a resolution on the Kashmir issue that would diminish the risk of war, restrain India in the use of force within Kashmir, and endorse Pakistan's call for a negotiated settlement.

Several nations are believed to have told Pakistan that they declined to condemn India because of their existing ties with New Delhi.

At the press conference Ms Bhutto used strong language to condemn human rights violations by India in Kashmir. Referring to house-to-house search operations she said: "If they see a young man, they take him out and shoot him – just shoot him because he is young."

Of last week's shooting by Indian security forces of at least 47 people accompanying the funeral procession of Mirvaiz Maulvi Farooq, the senior Moslem cleric in Srinagar, she said that it was "deplorable that innocent people should be slaughtered like this".

Benazir Bhutto goes on the diplomatic offensive

David Housego on efforts by Pakistan's Prime Minister to prevent a war with India

BENAZIR BHUTTO'S whirlwind tour of Islamic capitals over the past nine days brings to an end the first phase of her high-profile diplomatic offensive which is intended to avert war – but which carries the risk of provoking it as well.

By attempting to focus world attention on the dangers of war in south Asia and on human rights abuses by Indian forces in Kashmir, Pakistan's Prime Minister hopes to minimise the possibility of conflict and to pressurise the Indian Government into changing its Kashmir policies.

But to an Indian Government already sensitive to what it sees as Pakistan's exploiting its discomfort and which has warned Pakistan against "internationalising" the issue, Ms Bhutto's carrying of her case on to the world stage is bound to seem a further act of hostility – and one that strengthens the hands of the "hawks" in New Delhi.

Pakistani officials privately concede the risk. Indian officials accuse Pakistan of "playing with fire."

After visiting eight Moslem states, Ms Bhutto has just returned from Iraq and the Gulf. She hopes to visit Europe in the late summer and to attend the UN in September. Pakistan recently informed the UN Security Council of its concern and called for UN mediation. Through this higher brinkmanship, Ms Bhutto hopes to achieve three goals – all of which she is seeking to inscribe in a resolution to be put before the Conference of Islamic Nations (IOC). By alerting the international community to the risks of war, she hopes both to minimise the risk and to increase the pressure for a redeployment.

Pakistan claims that India has moved up 100,000 men including an armoured division into the Rajasthan sector and deployed a further infantry division in Kashmir. Diplomats in Islamabad take at face value Pakistani protestations that they have nothing to gain from war. "We don't want war and we have no purposes war can achieve," says Mr Iqbal Akhund, the Prime Minister's national security adviser.

The second goal is to mobilise international opinion to prevent India's use of force to suppress protest in Kashmir. The Pakistan Government attacked western reticence to condemn India on humans rights grounds when Mr Robert Gates, the special envoy of President Bush, was recently here.

Western reticence means, says one official, that "India feels that whatever it does in Kashmir (in terms of brutalities by the security forces) is not questioned. It feels free to go ahead."

Pakistan's third goal is to reopen the status of Kashmir on the grounds that the insurgency has demonstrated Kashmiris no longer want to be a part of India. The official line remains that the future of Kashmir should be determined by a plebiscite. But officials are beginning to imagine other possibilities such as a UN trusteeship that might embrace both Pakistan and Indian Kashmir. Any proposal that envisages the separation of Kashmir from India is still dynamite for Indian policy makers.

The Indian view is that war is preferable to allowing a secession that would call into question India's identity as a secular state. The shift to this more high profile diplomacy reflects a mixture of domestic pressures and altered Pakistan perspective. Ms Bhutto – whose instincts on coming to power were to improve ties with India where Mr Rajiv Gandhi was then in command – has come under criticism for not being tougher.

A more active diplomacy has the support of all parties, enabling Ms Bhutto to build a consensus on Kashmir that has evaded on other issues. She is thus beginning to use Kashmir, as President Zia used the beginnings of the Afghan conflict, to project herself internationally and strengthen her position domestically. The change in tack reflects Pakistan disillusionment that last month's meeting between foreign ministers in New York failed to achieve any improvement in relations. The decision to "internationalise" the issue dates from the assessment then that India had refused a dialogue. Some Pakistani officials clearly see a more active diplomacy as helping to divide the "doves" and "hawks" in New Delhi. By mobilising international opinion they hope to stengthen the hands of the small minority of policy makers in Delhi who believe that the use of force in Kashmir will not work and that war should be avoided. The risk is clearly that the voice of the "hawks" will grow stronger. But at the root of the shift in tactics is an assessment that India is bogged down in combating an insurgency that it will not overcome. This is "a problem they are not going to be able to solve," Ms Bhutto said yesterday.

US Senate takes lead in isolating Burmese regime

Robin Pauley reports on fresh moves to withdraw the Rangoon Government's foreign currency lifeline

THE US is moving towards banning all goods from Burma as it takes a lead in the international campaign against the Rangoon regime.

The US Senate has acted as it becomes increasingly clear that there is little the international community can do against a brutal regime which tries to isolate itself from international opinion other than refusing to buy its goods.

The Senate has voted 92-0 to ban all imports from Burma. The House of Representatives is expected to approve the measure and there are calls for the European Community to take similar action, although there is some hesitation from countries such as Denmark whose furniture industry is heavily reliant on Burmese teak.

The Senate decision, contained in an amendment promoted by Senator Patrick Moynihan and attached to the Trade Bill, originally would have imposed a ban on all timber and tropical fish products originating in Burma from being imported into the US. In view of the deteriorating human rights situation and increasing repression in Burma the amendment was successfully widened to ban all imports of Burmese products. This amounts to only about $17m (£10m) a year in the US, but is an important lead for other countries and a blow to the Rangoon regime.

These moves will affect Thailand which has stopped the over-rapid deforestation of its own lands but allowed Thai logging companies to move into Burma under contract, with the result that Burma's teak forests, containing 70 per cent of the world's reserves, are being depleted at such a rate as to threaten their exhaustion within 20 years.

The Burmese regime is being sustained by foreign currency principally from these logging operations with Thailand, but also from contracts with Japan.

The country's economy, once one of the richest and most promising in the region, is on the floor. Once the rice bowl of Asia, Burma is no longer self-sufficient in food and it is this which has forced it to try to earn foreign currency.

The State Law and Order Council which rules Burma, now one of the world's 10 poorest nations, has been taking desperate measures to secure funds in the run-up to next Sunday's so-called multi-party elections which promise to be one of the cruellest electoral farces of modern times from which the "winners" will be announced three weeks later.

The rulers sold off 60 per cent of the Burmese embassy's prized site in Tokyo to the MCG property and construction company earlier this year for $236m. Logging contracts mean Thailand may be able to import as much as 53m cubic feet of raw wood from Burma this year, half its total needs.

US officials say it is becoming increasingly clear that, in spite of their rhetoric against narcotics, the hard-pressed Burmese leaders may now be profiting from the drugs fortunes generated in the "Golden Triangle". South-East Asia is estimated to produce more than 40 per cent of the heroin now reaching the US.

Although there was widespread international condemnation of the killing of thousands of pro-democracy supporters in 1988 and Burma lost much of its official aid, international companies continued to do business with the regime.

Oil companies, including Amoco and Unocal of the US, Croft and Kirkland of the UK, Broken Hill Petroleum of Australia, Petro-Canada, Shell, the Anglo-Dutch oil company, and Yukong of South Korea have negotiated agreements for onshore oil exploration and extraction in Burma. Idemitsu of Japan and Britain's Premier Petroleum will explore offshore.

Pepsi Cola is constructing a plant near Rangoon as part of a $2m to $3m project which should start production before the end of this year and Coca Cola has been widely reported as having a production agreement, although the company denies having any business presence in the country.

Diplomats estimate that Burma secured at least $1bn last year from foreign investment.

The authorities are anxious to expand tourism, a potential source of large amounts of foreign exchange although they allowed only 8,000 foreigners into the country last year, compared to the 5m who visited Thailand, and all foreigners are currently barred from entry.

Some investors in tourism have pulled out and the success of other projects looks doubtful. A Thai company has started building a luxury resort just inside Burma's Shan state. It is due to open in October and the Burmese Government will receive $32.5m for the 30-year lease of the land.

The South Korean Daewoo conglomerate has signed three joint venture agreements with Burma, one of which is for a five-star hotel for completion in 1994 in Rangoon involving an investment of $60m. The others are for the operation of a factory to produce 72,000 lots of garments in the first year and for the manufacture of electronic home appliances in Rangoon.

Daewoo will invest $4m in equity investment and $6m in bank loans in the electronics venture.

This all helps to keep Burma afloat – just – but it is international aid that the authorities really want to get back. With more than $4bn of outstanding debt, reserves estimated at less than $20m, and per capita GDP of not much more than a miserable $200, Burma needs its aid donors badly, principally Japan. In 1988, Japan contributed grants of $250m, 60 per cent of Burma's total foreign aid, virtually all of which dried up after the suppression of the democracy movement.

Although a few minor aid projects have resumed, Japan has told the military regime that it will only reopen negotiations when a political settlement consistent with the wishes of the Burmese people has been agreed, and when economic reforms have been instigated.

This weekend's election may be designed to try to convince foreign governments that such conditions are now being met.

However, Japan has been particularly concerned about the fate of Aung San Suu Kyi, the main opposition leader who is being held under house arrest in Rangoon and is banned from participating in the election.

Ms Suu Kyi has urged foreign governments and companies not to invest in Burma, saying it could work against democracy.

It would be so much better if people could put human rights issues above economic issues, especially in a country like Burma, where the human rights issue was so pressing, she said last year.

France sends troops to Gabon after riots

By **Ian Davidson** in Paris

FRANCE yesterday sent 200 troops to Gabon, in response to disturbances in the French-speaking West African state.

The contingent, a company of parachutists and a company of infantry, will reinforce a French Marines battalion, which is regularly based in Gabon under a bilateral defence agreement.

French authorities said the troops were being sent "for the possible protection of French citizens in case of danger". The French move followed the kidnapping on Wednesday of Mr Jean Duffau, French consul general in Port Gentil, together with two or three other French citizens. Mr Duffau was released unharmed yesterday.

The riots erupted after the death in suspicious circumstances of an opposition leader, Mr Joseph Rendjambe, who was secretary general of the Progress Party. His body was found in a hotel room in the capital, Libreville.

Rioters demanding the resignation of President Omar Bongo rampaged through Libreville and Port Gentil, 80 miles south-west, on Wednesday setting fire to public buildings.

Yesterday two opposition groups called on France to intervene in the crisis. Mr Nan Nguema, president of the United Opposition Front, called on France to "help in democratic change". He said the kidnapping of Mr Duffau "could be explained in part by letting the French know what is happening, so that at last they can help us to get rid of the dictatorship".

Gabon is one of five African countries where France currently stations troops under bilateral defence agreements, the others being the Ivory Coast, Senegal, the Central African Republic, and Djibouti. In addition, there is a limited French defence force in Chad, with the specific mission of reinforcing Chad's security against Libya.

India's five-year plan aims to help jobless

THE INDIAN Government says it will concentrate on job-creation programmes over the next five years in an attempt to resolve problems faced by the poorest 30 per cent of the country's population, K.K Sharma writes from New Delhi.

New Delhi's economic strategy is spelt out in a paper entitled "towards social transformation – approach to the Eighth Five Year Plan 1990-95" released yesterday by Mr Ramakrishna Hegde, head of the Planning Commission.

The detailed plan will be formulated on the basis of the paper which is to be discussed by the National Development Council, the country's highest economic decision-making body, on June 16.

Although the present planning commission does not seek to spell out figures – and hence the size of the Government's investment on development projects is not mentioned – the Eighth Plan will aim at an annual growth of 5.5 per cent of the gross domestic product, 3 per cent in employment and try for a savings rate of 22 per cent of GDP.

Changes envisaged include a significant increase in the proportion of investment allocated to rural development.

Designed to tackle the twin problems of unemployment and poverty, the paper has sketched out measures to mobilise the necessary resources through hard options like a broadened tax base, strict fiscal discipline and curbs on non-productive expenditure.

Mr Hegde said that the development of small industries would be an important component. Experience had shown, he said, that large factories were capital-intensive and used technology that did not generate enough jobs.

However, curbs would not be put on existing large units or new ones if they brought in much-needed foreign exchange through exports. Mr Hegde felt it was not necessary to permit multinationals to make consumer goods like soap.

Singapore PM warns Britain

BRITISH companies diverting investment away from Asia towards eastern, or even western, Europe would be making a costly mistake, Mr Lee Kuan Yew, Prime Minister of Singapore, said in London last night, Robin Pauley writes.

"You risk losing your remaining market in Asia because the classic method of exporting goods and services from a British base is becoming increasingly uncompetitive. If greenfield investments are ruled out there are abundant joint venture opportunities with Asian partners," he said at the start of a week-long visit to Britain.

Bush strikes note of caution over summit

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush yesterday warned against expecting too much from his summit meeting here next week with President Mikhail Gorbachev, but believed progress could be made in talks over what he called "enormous problems".

In classically cautious language, Mr Bush presented the summit as part of a continuing dialogue rather than a place for many specific agreements.

In particular, he noted that the Soviet parliament had not yet passed an emigration law which the US has insisted is necessary before the Jackson/Vanik amendment can be waived and most-favoured nation trading status granted, leading to lower US tariffs on Soviet goods.

He acknowledged that there was also a direct link for many in the US with the Lithuanian question which caused tensions. "I think there's a political climate in this country that would make it extraordinarily difficult to grant it [most favoured nation status], but that's not a bridge we're having to cross at this juncture because the legislation is not in place in the Soviet Union."

Separately, talks are now blocked on a US-Soviet agreement to expand airline services, which was due to be signed at the summit. This is because of a dispute over the currency to be used by American airlines.

At his White House press conference, Mr Bush talked of the enemy being instability and unpredictability: "I don't want to have two ships pass in the night. We've got a lot of things that will be seen properly as progress, but there are enormous problems that just need to be talked about where I can't say there will be an answer."

Mr Bush expressed enthusiasm for the proposed chemicals weapon treaty and, dismissing criticisms from US conservatives about excessive concessions made in last week's Moscow talks, he said the strategic arms negotiations were "going very well, though we still haven't got a firm deal."

He expressed concern about the lack of progress on conventional forces, but said he was encouraged by remarks on Wednesday by Mr Eduard Shevardnadze, the Soviet Foreign Minister, that Moscow wanted to accelerate conventional force negotiations.

Mr Bush hoped both sides could find some way at the summit or earlier to move these talks forward.

Sand shifts under US and Israel

Lionel Barber on strains which could signal wider policy changes

BY SIGNALLING that it is ready to support the despatch of United Nations observers into the Israeli-occupied territories of the West Bank and Gaza Strip, the Bush Administration is venturing where few previous US governments have dared to tread.

In the past, the US has avoided any move which could be construed as a challenge to Israeli sovereignty – or to Israeli authority in the territories occupied after the 1967 Six-Day War. To press ahead with the UN observer idea would, therefore, put Washington's relations with Jerusalem on a collision course.

The first sign of US intentions should come today when the United Nations Security Council meets in Geneva to discuss the latest violence in the West Bank.

Mr James Baker, US Secretary of State, said on Wednesday that the US "would be prepared to discuss the question of a UN observer team if that indeed comes at the UN Security Council session."

There is a danger in reading too much into Mr Baker's remarks. He is at heart a tactician, and he may well have been simply finessing a more immediate problem; the likelihood that Mr Yassir Arafat, the leader of the Palestine Liberation Organisation, was about to apply for a visa to speak at the UN in New York.

Nonetheless, the guarded support for UN observers is the latest evidence of a downward spiral in US-Israeli relations ever since the fall, 10 weeks ago, of the coalition government headed by Mr Yitzhak Shamir.

US officials are frustrated at the failure of Mr Shamir and his Likud colleagues to follow through on the Israeli Government's peace initiative first put forward last year. The initiative proposed Palestinian elections in the West Bank and Gaza – home to 1.7m Palestinians – to choose local representatives that could negotiate both an interim and a permanent settlement with Israel.

Last December, the Bush Administration believed it had secured the conditional support not only of Israel but also of Egypt (acting on behalf of the Palestine Liberation Organisation) for the Shamir plan.

A preliminary meeting between Mr Baker and the foreign ministers of Israel and Egypt in Cairo was supposed to iron out the final obstacles to the first talks between Israelis and Palestinians.

But the meeting was never held. In Washington's view, the Shamir government's insistence on assurances that the PLO would not become a party to the dialogue sabotaged the initiative, casting doubt on whether Mr Shamir was ever serious about his own election plan.

Critics argue that the State Department and the National Security Council staff working on Middle East policy allowed themselves to be snookered – both by their own expectations of a breakthrough and by a series of tactical errors.

"The Israelis could always say 'No' to their own plan – but they would have had more difficulty saying 'No' to an American plan," says Ms Judith Kipper, a Middle East expert at the Brookings Institution in Washington.

Faced with the impasse, President Bush further inflamed relations by saying he opposed new Jewish settlements not only in the Israeli-occupied West Bank but also in East Jerusalem – an explicit challenge to the sovereignty of at least part of the city which Israel calls its capital.

Moreover, Mr Bush's comments came only two days after Mr Baker said the administration would support $400m in housing loan guarantees only if Israel stopped building Jewish settlements in the occupied territories.

Some Israelis believe that Mr Bush's aim was to precipitate the collapse of the Government in order to prepare the way for a new Labour-led coalition more amenable to dealing with the Palestinians.

Officials in Washington say this is far too Machiavellian an interpretation: "The President simply feels very strongly that Mr Shamir had given his word on settlements," said one official.

These bruising clashes contrast with the days of the Reagan Administration, when public criticism was tempered by statements of support for Israel.

Yet the question is whether they amount to a fundamental change in the US-Israeli relationship. At this stage, it seems not. The strategic relationship – built on military and intelligence ties which grew strongly during the Reagan Administration – continues uninterrupted.

US financial support for Israel amounted to $3.7bn in grants, loans, economic and military aid last year. The flow remains intact, even though some Congressional critics, such as Senator Robert Dole, are trying to rearrange priorities in the US foreign aid budget. "There is no full-scale review of US policy towards Israel," said a White House spokesman.

Mr Baker's UN observer foray on Wednesday may be a sign of change "because it amounts to a reverse in policy which could prepare the ground for other moves in the future," a US official said.

House backing for wider clean air laws

By Peter Riddell

THE most far-reaching extension of US clean air laws for 13 years has moved a stage nearer following overwhelming approval of the legislation by the House of Representatives. But big differences remain within Congress and with the Bush Administration over the methods and deadlines for reducing pollution.

The bill has important consequences for the motor, oil and energy sectors and has been the subject of intensive lobbying by these industries and by environmentalists.

Both the House and Senate versions are compromises between regional and industry interests. For instance, a deal on car pollution was worked out between two prominent Democrats, Representative John Dingell from Detroit, the home of the US motor industry, and Representative Henry Waxman from Los Angeles, the US city with the greatest smog.

There will now be a lengthy Senate/House conference to resolve differences, but the legislation is expected to be approved by autumn.

The White House has, however, warned of a possible presidential veto over a provision, approved by the House but narrowly rejected by the Senate, for $250m (£147.9m) in additional unemployment and training assistance for workers who lose their jobs as a result of industry's efforts to reduce emissions. This would particularly benefit coal miners in high-sulphur producing areas of Appalachia and the Midwest. The Administration is worried about a potentially open-ended liability.

The House version also includes proposals for a pilot programme in California in which the motor industry would be required to produce 750,000 cars over three years capable of running on non-gasoline fuels such as methanol.

There are important differences between the Senate and House versions over, for example, the formula used to provide incentives for power utilities to reduce emissions, over the timing of a second round of reductions in pollution caused by car tailpipe emissions, and over controls on industrial sources of smog.

There is, however, agreement on a series of goals to reduce acid rain by halving emissions of sulphur dioxide over the next decade, requiring industry to instal best available technology by 2000 to control sources of 200 toxic substances and requiring a reformulated petrol mixture for all new cars in the nine smoggiest US cities by 1995.

Business squeezed as US economy weakens

By Peter Riddell

THE US economy has been somewhat weaker than previously thought so far this year, and corporate finances are now being squeezed.

Gross National Product is now reckoned to have risen at an annual rate of just 1.3 per cent in real, inflation-adjusted, terms in the first quarter. This compares with an initial estimate of a 2.1 per cent increase, the revision being entirely explained by what happened to business stocks. Non-farm inventories are now believed to have fallen by $10.8bn, (£6.4bn) rather than $2.5bn.

To the extent that stocks were reduced by more than previously thought, there is less need for a further sharp cut in the current quarter, which may be positive for overall levels of production. Hence the revision to the GNP figure is less negative than it might first appear.

However, other recent indicators, such as durable goods orders and car sales, suggest that the overall level of activity remains sluggish at best.

The financial position of US companies also remains under pressure. While overall levels of profits increased in the first quarter, after having fallen sharply in the second half of last year, cash flow from current production, the internal funds available for investment, dropped by $9bn, or 2.3 per cent, in the period to the lowest level for a year.

On a longer-term comparison, most measures of profits are lower than a year earlier, with a notable drop in undistributed profits and net cash flow. These point to a squeeze on future levels of investment.

Lower than expected levels of corporate profits, and consequent tax revenues, have been a big reason for the revision upwards of the expected size of the US budget deficit.

Boesky becomes the star witness

Martin Dickson sees the former arbitrageur give evidence against an old friend

HE LOOKS coolly composed, his eyes fixed into the middle distance of the courtroom, his voice crisp and decisive. He forms his hands into gestures of authority – a single digit quizzically propping up the chin, or the tips of fingers joined in a manner akin to prayer. Superficially, he looks much as he did in the old days – except that he doesn't grin a lot now.

In a Manhattan court house, Mr Ivan Boesky, once Wall Street's most successful arbitrageur, is making his first public testimony in the 3¼ years since he settled charges of insider trading by pleading guilty to one conspiracy charge, paying $100m (£59m) in fines and agreeing to co-operate with the Government's sweeping investigation of Wall Street crookery.

Mr Boesky is the star prosecution witness in the trial of Mr John Mulheren, a securities trader accused of more than 40 counts of conspiracy and fraud and the only person out of those fingered by Mr Boesky who has elected to go to trial.

Added piquancy is given to the case by the fact that the two men were once good friends – Mr Mulheren was a trustee of a fund for Mr Boesky's children. Giving testimony in the witness box, Mr Boesky, dressed like a Wall Street professional in a dark suit and tie and white shirt, avoids looking at the bench where Mr Mulheren, casually dressed, watches attentively.

Mr Boesky, who served about two years of a three-year jail sentence and was freed last month, appeared in court clean-shaven and smoothly groomed – a contrast to the bearded figure he presented while serving his sentence.

He told the court that he was employed as a consultant to an unnamed company on "different sorts of business planning" and he also disclosed that he still faces some $1bn in damages suits from aggrieved investors. They will be watching his testimony closely for anything which might bolster their cases.

Much of Mr Boesky's testimony has concerned detailed share transactions and other business dealings between him and Mr Mulheren, who is alleged to have manipulated stock and temporarily taken on securities to help Boesky avoid taxes and meet Government-imposed capital requirements.

Mr Boesky has also described how in 1985 he and Mr Carl Icahn, the corporate raider, built up stakes in Gulf & Western Industries, the entertainment group now known as Paramount. They then went to visit its chairman, Mr Martin Davis, and suggested that he mount a leveraged buy-out for the business. Mr Davis rejected the idea but later bought Mr Boesky's stake when Gulf & Western's share price rose in the market to $45 – the price Mr Boesky wanted for his stake.

Mr Boesky acknowledged discussing Gulf & Western's share price with Mr Mulheren, but said he had merely stated that it would "be great" if the stock, then at $44¾, traded at $45.

Mr Boesky also said that he and Mr Icahn – who does not face any charges in connection with Gulf & Western – were not acting as a group, a situation which would have necessitated a public declaration that they held more than 5 per cent of the company's stock.

There has been tough cross-examination by Mr Thomas Puccio, the lawyer defending Mr Mulheren, who will be trying to undermine Mr Boesky's credibility. At one point, Mr Boesky was asked how many times he had lied under oath. "Several times, I can't remember," he replied.

"Do you like money, Mr Boesky?" the lawyer asked later. "Of course," he snapped back, "don't you?"

But the presiding judge drew the line when Mr Boesky was asked: "Do you know what a pathological liar is?" and the question went unanswered.

Crossed lines over privatisation

Gary Mead looks at the problems for Argentina's telecom investors

Mr Ricardo Zinn deserves a medal; instead he will probably receive a volley of old vegetables.

In Buenos Aires the only real sin is to point out that the emperor has no clothes, which is precisely what Mr Zinn did when, on April 4, he resigned as government adviser on the privatisation of Entel, Argentina's state-run telephone company.

"To invest in Argentina is to *run a very high risk because* the rules are changed every two or three months," said Mr Zinn when he handed in his notice.

He left in high dudgeon because President Carlos Menem has decided to cave in to Peronist party pressure, and substantially alter Entel's privatisation conditions.

Mr Zinn is hardly a neutral figure in the dispute; he was responsible, along with Ms Maria Julia Alsogaray, Entel's administrator, for drawing up the original sale terms.

Mr Zinn and Ms Alsogaray have been overruled, much to the chagrin of banks and those half-dozen foreign operators interested in buying the 60 per cent of Entel available.

Mr Zinn's departing comment is hardly news to those foreign companies which run the gamut of Argentine legislation and sharp practices in order to invest in a country which has scarcely climbed out of political and economic instability.

But he deserves respect for daring to say openly what most Argentine politicians prefer to disguise – the biggest *problem anyone faces in* Argentina is that government changes the rules, often, and without much consideration *for those already ensnared in* the game.

In the case of Entel, the rules were changed with less than a week *to go before* the so-called "pre-qualification" date, of April 5, when those

Carlos Menem: perennially changing the rules

companies which had spent $20,000 on buying the sale documentation confirmed their interest by requesting the full details of the company and its privatisation.

Seven foreign operators are in the race for purchase of the documentation, including STET (Italy), Nynex (US), GTE (US), Cable and Wireless (UK) and Telefonica (Spain).

June 28 is fixed as the deadline by which the successful bidders will be announced; those fortunate to have struggled through to that point will find themselves owners of Entel north or Entel south.

Of the remaining 40 per cent of the shares, 30 per cent are to be traded on the Buenos Aires stock market and 10 per cent *put in the hands of Entel* employees.

By October 8, the new owners will be able to take possession – *unless the dates and* rules are changed again.

There are two essential changes to Entel's sale, involving guaranteed profit levels and the amount of debt-equity exchange required.

Under Mr Zinn's plan, new owners were to have been guaranteed annual profits of 16 per cent on the net asset value of $3.5bn of the whole of Entel.

The reworked terms stipulate a guaranteed profit of 16 per cent a year on the lower figure of $1.9bn, fixed by the government as the value of the 60 per cent of Entel to be bought by the two successful bidders. That alteration means a reduction in profit of roughly $200m ($100m each for Entel north and south).

Under the Zinn plan, there was no fixed minimum placed on the amount of debt-equity *swap; there was simply the* implication that the operator which offered more debt for its equity would be favoured.

Now the Government has fixed a minimum amount of $3.5bn for debt-equity *exchange, the net asset value* of Entel. The apple-cart has been upset, and foreign bankers in Buenos Aires are cross.

"Do you know what the implied conversion rate for Argentine debt is, now that the rules have changed?" asked one irate banker. He continued: "the rate on the secondary market is less than 12 per cent. With the changed rules for Entel, the conversion rate the Argentine Government is asking for is 15.7 per cent.

"That's an appalling deal for bankers, but they still probably have us over a barrel, since what else are we going to do with the debt except try and get some equity for it?"

If bankers are annoyed, Entel customers are currently tearing their hair out in frustration. Telephone bills have gone up by 2,400 per cent since the start of the year.

The last increase, which in some cases amounted to 433 per cent, was overturned at the last moment, after mass consumer protest, though bills delivered still included the increase.

This was compounded by a telephone workers' strike and pickets outside Entel offices. Some bills were delivered, but *others delayed.*

However, customers failing to pay their bill within one week of delivery faced an auto*matic increase of 10 per cent.* A second week's delay and the punishment went up to 20 per cent.

Foreign telecommunications operators once looked on the Entel sale as an interesting proposition.

*But leaving aside the prob*lem of how any new foreign owner could begin to sort out the Byzantine corruption *among Entel's 45,000* employees, the privatisation is now very tarnished by what is a long-standing problem with *Argentine governments* – unreliability when it comes to sticking to the rules.

Chilean projects expected to total $19bn

By Nancy Dunne *in Washington*

PROJECTS on the drawing board or under construction in Chile are expected to total $19.7bn in new investment between 1990 and 1995 and to bring new growth to regions outside the nation's metropolitan areas.

According to a new survey, conducted by Chile's independent Committee of Foreign Investment, most of the 442 projects are planned by the private sector with 60 per cent designed to boost foreign trade.

The survey was presented at a recent investment opportunity conference in Santiago, attended by 250 foreign and 450 Chilean companies.

Also in attendance was President Patricio Aylwin Azocar, who assured the businessmen that Chile's economic policies would remain unchanged under the new administration.

The largest number of the planned new projects, 63.6 per cent, will be jointly owned by foreign and Chilean companies. Almost 20 per cent are planned by foreign companies; 15.2 per cent by the government; and the rest joint public and private enterprises.

The new operations include: a cellulose plant, a newsprint factory and a port near Puerto Monti in Chile's Region 10; a $356m hydoelectric plant to be developed in Region 8; and a $140-$150m cathodic copper facility in Region 1.

Mr Roberto Chadwick, a Washington consultant who assisted the conference organisers, said the survey demonstrates the decentralisation process underway within the nation's economy.

Each of Chile's 13 regions will receive a share of the new investment flows, adding a minimum 16 per cent to each one's economic base.

In seven of the regions, new investment could total more than 60 per cent of their current local gross domestic products. If the plans are fulfilled, the cities, in which investment has in the past been concentrated, will get no more than 14 per cent of the nationwide investment flows.

The planned investments are concentrated mainly in five areas: with mining taking 27.5 per cent of the total; industry, 26.6 per cent; energy, 25.2 per cent; telecommunications, 4.8 per cent; and infrastructure, 5.4 per cent.

Only nine public sector projects, directly linked to exports and infrastructure, were included in the study. Plans for the development of the financial services area were also excluded.

Although most of the spending is targeted towards traditional sectors, the survey also indicates a change in the composition of exports towards non-copper products and more sophisticated products, like softwear, Mr Chadwick said.

Mining products will remain Chile's main export source for many years in the future. However, agricultural-based and seafood products have tripled in the decade, while industrial exports more than doubled in 1984-89.

Conservatives say programme is 'littered with spending pledges'

Labour launches policy package

By Michael Cassell, Political Correspondent

BRITAIN'S opposition Labour Party yesterday launched its "agenda for government", with the leadership making a determined effort to play down any early prospect of tax cuts or increases in public spending if the party wins power.

Mr Neil Kinnock, the Labour leader, placed the emphasis firmly on economic prudence and attempted to fend off government accusations that Labour remains a high-spending, high-taxing party. Mr Kinnock's warning that the Government would try and "pin huge spending commitments" on the party materialised at once, with ministers rounding on Labour's proposals.

Mr Norman Lamont, the Chief Secretary to the Treasury echoed ministerial colleagues in claiming that Labour's new campaign document was "littered with spending pledges".

Unveiling "Looking to the Future", the document which will form the basis for Labour's next general election manifesto, Mr Neil Kinnock promised to end the Tory years of "arrogance, complacency and deviousness".

He stressed that any additional public revenues arising out of economic growth would initially be directed towards investment, rather than any tax cuts.

Mr *Kinnock told a London* press conference: "Given what we will inherit, especially the underfunding in vital public services, the possibilities of immediately reducing the tax burden are somewhat remote".

No further details of Labour's plans to introduce a bottom rate of income tax of below 20p are likely to be divulged until after an election victory.

Mr Kinnock, however, said that plans to raise taxes for the highest wage-earners would yield about £2bn in additional revenues in the first year.

The document, which will go to this autumn's annual conference for approval, confirms Labour's conversion on a series of issues. It formally abandons unilateral nuclear disarmament in favour of negotiated arms reductions, while accepting the role of the law in the workings of trade unions.

Mr Kinnock also confirmed Labour's readiness to embrace the markets, although he stressed that his party would be "working with the market and not worshipping the market".

A central theme of Labour's proposals is a new partnership between public and private sectors, with private finance joining the government in major joint ventures.

Mr Kinnock said Labour's anti-inflation strategy would involve early entry into the exchange rate mechanism of the European Monetary system, restraints on bank lending and lower interest rates.

Labour has abandoned any commitment to full employment and rejected the idea of an incomes policy. It will create a number of regulatory and supervisory bodies to monitor a range of economic and environmental activities.

Banks campaign for tax relief on debts

By Stephen Fidler, Euromarkets Correspondent

BRITISH banks have made advances in a campaign to reverse what they see as undesirable treatment of tax relief on third world loans proposed in this year's budget.

Amendments have been tabled to the 1990 Finance Bill. The bill, as originally proposed, would restrict the tax relief available to banks disposing of third world debt at a loss.

Under the proposals outlined in the budget, banks selling their debt at a discount will be forced to spread out the tax relief they can claim over a number of years. Under current rules, they can claim tax relief for the year in which they make the loss. Under the new rules, they will have to take the relief in annual increments of 5 per cent of the debt's face value.

This applies unless the bank sells the loan at a discount back to the debtor country, in which case the relief is immediately available. This appears to be designed to encourage banks to participate in debt reduction packages under the new international debt strategy known as the Brady plan.

The British Bankers Association, which represents UK banks, has complained that the proposed tax treatment sets a precedent potentially of wider concern to business.

Output fuels fears of British inflation

By Rachel Johnson

MANUFACTURING output underwent an unexpected recovery in March, according to figures released yesterday. This is another indication that the UK economy is not slowing down quickly enough to warrant early reductions in inflation and interest rates.

The Central Statistical Office announced that manufacturing output – which has slowed sharply over the past year – rose by 1.7 per cent in March when the City was expecting output to be flat.

Wednesday's trade figures showed resilient domestic demand in the shape of rising imports. The latest economic news appears to complete the picture of robust demand so far painted this month by strong retail sales and rapid expansion in the money supply.

A rise in the annual increase of unit wage costs from 6.6 per cent to 7.8 per cent in the three months to March confirmed the presence of inflationary pressures in the economy. Wage settlements around the 10 per cent mark are expected to lift unit wage costs even higher in coming months.

The figures also showed that earnings continued to rise without being matched by productivity gains. Productivity in manufacturing was rising at a rate of just 1.1 per cent a year in the first quarter.

Trams trundle back into fashion

Richard Tomkins on the plans to ease congestion in regional cities

THE tram is trying to make a come-back – not as the slow, clanking beast of old, but as a sleek, fast and efficient form of modern urban transport.

In Manchester, they are building a Metrolink; Sheffield is planning a Supertram; and Birmingham wants its Midland Metro.

For the first half of the 20th century, trams dominated public transport in Britain's largest towns and cities. But when the infrastructure came up for renewal after the Second World War, low petrol prices made buses a much cheaper alternative.

Many of the trams were scrapped while others disappeared overseas to service far-flung corners of the former Empire and, a variety of European cities in need of transport hardware.

Now, the tram is back in favour. High petrol prices and clogged roads have made buses less economic, and some see light rail systems as an effective, pollution-free solution to Britain's urban congestion.

The modern-day tram bears little resemblance to its predecessor. Looking rather like a small train, it typically consists of a pair of single-deck cars running at speeds of up to 50 mph.

Its route consists of a mixture of disused suburban railway lines, segregated parts of the highway and shared use of public roads. Stops are about 700m apart.

More than 300 of these light rapid transit systems are operating in Europe and North America. Now more than 30 UK towns and cities have schemes on their drawing boards.

Getting them off the boards and on to the streets, however, is proving more problematic. The London Docklands Light Railway and the Tyne & Wear Metro are operating, but these are railway systems. No street-running tram system has yet been built.

The main obstacle is the same as the one that saw the tram's demise: cash. Infrastructure costs are usually too big for tram schemes to be viable, so local authorities need Government aid.

The Government, however, requires a degree of private sector involvement in the schemes. Local authorities therefore find a consortium to build and run the line, deduct the payment for running rights from construction costs, and ask for a Government grant to cover half what remains.

Only Manchester has won one of these grants. Last year the Department of Transport agreed to pay £40m-£45m towards the £110m cost of the first Metrolink line between Bury and Altrincham, passing through the city centre streets. Work on the line has now started – but only after a three-year wait for the cash.

The main reason why grant aid for light rail systems is slow to come through is that the Transport Department has no budget for them. If a scheme is approved, it then has to go to the Treasury as a candidate for possible inclusion in future public expenditure.

But getting an application through the department is no joy-ride. If a local authority wants to build a road, the scheme attracts a grant if its cost is outweighed by benefits to users – notably, by savings in journey times. Light rail schemes, on the other hand, only attract funds if the capital costs are outweighed by the value of non-user benefits such as relief of road congestion.

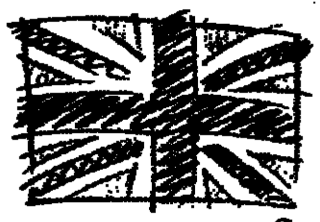
What local authorities want to see is something more akin to the Continental system where public and private transport schemes are assessed on a comparable basis, leaving regional or local governments to decide which is most appropriate to their needs. The result of this policy is that half the cities in Western Europe with populations over 600,000 have some form of tram or light rail system.

The Department of Transport's argument is that the user benefits of rail schemes should be paid for through fares, while no mechanism exists for charging car and lorry drivers for the use they make of a new road.

But the Association of Metropolitan Authorities, a persistent critic of the Government's attitude towards light rail schemes, suggests the department's differing assessment methods is undermining local authorities' ability to implement transport policies.

Mr Phil Evans, the association's secretary, says: "If a local authority puts up a package to the Department of Transport consisting of a mix of highways and public transport, the road proposals go to one bit of the department and the public transport proposals go to another. It is impossible to get a balanced response from the department."

BRITAIN IN BRIEF



Imports of coal to hit new record

The drop in orders of coal from British pits by the privatised electricity industry means that coal imports will reach a record this year.

More than 6m tonnes, mostly from North and South America, have been ordered by National Power and PowerGen, which have inherited the fossil-fuel power stations of the Central Electricity Generating Board.

The imports make up about 8 per cent of the electricity industry's coal needs and represent a significant inroad into the UK market, which has been dominated almost entirely by British Coal.

The imports will rise by a further 5m tonnes a year in 1993, when power stations increase their use of low-sulphur foreign coal in order to meet new environmentalist targets on sulphur emission.

BR to lose postal contract

The Post Office plans to stop using British Rail to transport mail at weekends after BR failed to meet performance targets.

By using trucks instead rail, the Post Office expects letters and packages will arrive at sorting offices in some cases as much as 12 hours earlier.

The move is a blow for BR which has a five-year contract worth between £200m-£250m to transport mail for the Post Office.

N Ireland talks 'encouraging'

Mr Peter Brooke, Northern Ireland secretary, yesterday won further encouragement in his efforts to start talks on the province's political future from the mainly Roman Catholic Social Democratic and Labour Party.

Speaking after a two-and-a-half hour meeting in London, Mr John Hume, SDLP leader, said Mr Brooke had put forward proposals for a series of talks on "all aspects" of the Northern Ireland problem. His proposals were "very encouraging."

Coming after the broad support offered to Mr Brooke by Unionist leaders after a similar meeting on Tuesday, his reaction suggests Mr Brooke has made significant progress towards striking a deal to start talks.

Ridley apology for blunder

Mr Nicholas Ridley, secretary of state for trade and industry, yesterday apologised for the blunder which led to a distorted market in the shares of retail groups Kingfisher and Dixons on Wednesday morning.

At the same time the DTI said that it was prepared to consider claims for compensation from shareholders who lost money as a result of the mistake.

A Monopolies and Mergers Commission report recommending Mr Ridley to reject Kingfisher's bid for Dixons was put on sale by mistake by Her Majesty's Stationery Office ahead of any general announcement to the stock market.

Ecco chain moves to UK

Job opportunities for people over 50 are to be a special feature of a chain of employment agencies being developed in the UK by Ecco, the French-owned employment agency, financial services and industrial cleaning group.

The initiative, called Age Works, is being developed by Ecco in a joint venture with the Association of Retired Persons, a 60,000 strong British lobby organisation representing retired people around the country.

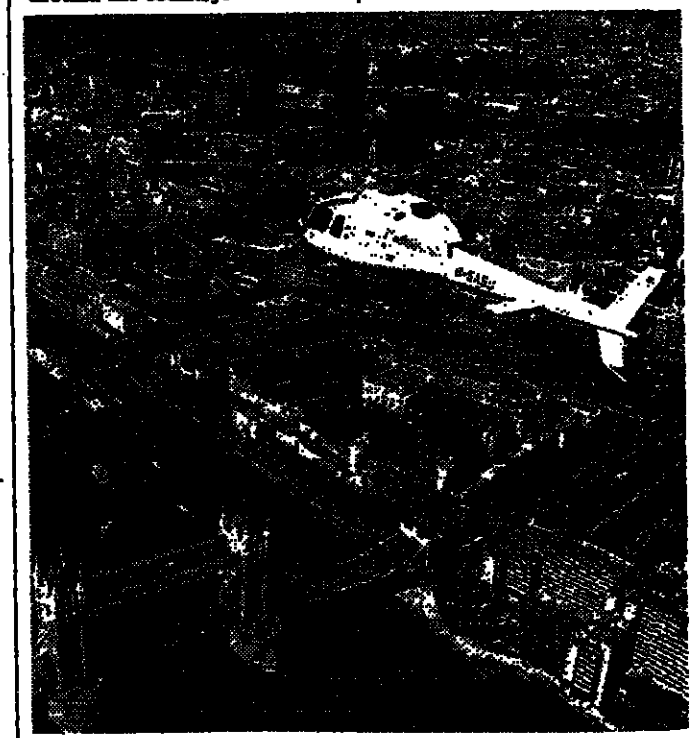
Porton chief paid £450,000

Mr John Burke, chief operating officer of Porton International, a privately-owned pharmaceuticals company, was paid £450,000 last year, putting him among the top 50 UK manufacturing executives in terms of pay.

The company had sales of £15.5m in 1989 and showed an operating loss of £6.8m.

Mr Tony Vernon-Harcourt, of the Monks Partnership, a recruitment consultancy, said the figure was "unusually high." He said most chairman or chief executives of UK manufacturing companies earning this amount worked for companies with annual sales of above £1bn.

Mr Burke was recruited to Porton from Glaxo, Britain's biggest pharmaceuticals company.



MPs clashed yesterday over the need for a heliport sited on the banks of the River Thames in London similar to the one sited on New York's East River.

The proposal for a heliport sited on the north bank of the Thames between London Bridge and the Cannon Street railway bridge was described as "absolutely batty" by Conservative MP Mr Toby Jessel. He questioned the safety and environmental effects of a heliport next to a main commuter railway station. But another Conservative, Mr Anthony Nelson, said a heliport was essential if the City of London was to remain one of the world's leading financial centres.

Mr Colin Moynihan, junior environment minister, refused to comment on the merits of the proposal because of the quasi-judicial role of his ministerial chief, Mr Chris Patten, the Environment Secretary. He said the proposal would be the subject of a public inquiry which would begin in October.

UK NEWS

Britain hints at review of policy on aid budget

By Peter Montagnon, World Trade Editor

BRITAIN should take a fresh look at the desirability of tying its overseas aid budget to the procurement by developing countries of British goods and services, Mrs Lynda Chalker, Aid Minister, said yesterday.

Acknowledging that this was a "very political" issue for industry, which currently receives some £700m worth of aid-financed business a year, she said untying these funds could produce better value for money and might bring net benefits to Britain if it was part of a concerted international move to do the same.

Though couched in tentative language, her remarks seem calculated to fuel controversy in industry, which is already alarmed over the prospect of declining support from the Export Credits Guarantee Department.


Lynda Chalker

With a total budget of £1.6bn, Britain spends much less on aid than other European countries such as Japan, France and West Germany.

Yet exporters have long been able to console themselves that a relatively high proportion of the bilateral aid budget is tied to the purchase of British goods and services.

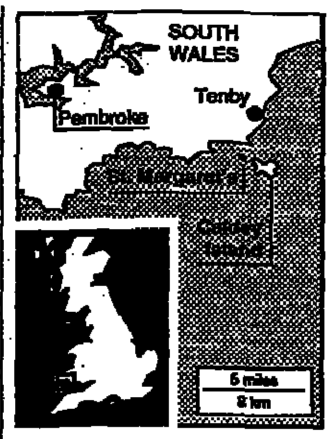
"Buying from abroad is never popular with industry at home, whether it be power stations, coal, textiles, defence equipment or aid equipment," Mrs Chalker said. "We have already bitten on the other bullets. I hope that we can take a more dispassionate look at the arguments for and against aid tying."

With health and defence spending, the Government's overriding criterion was to obtain value for money.

"We need to take care that tying does not lead to extra costs and a diminution of the real value of our aid," she said. However, Britain had a good record in obtaining business from World Bank and European Community aid projects. Industry got £1.75 in procurement orders for every £1 the UK contributed to such multilateral agencies. Given that other countries had much larger aid programmes than the UK it would be in a position to benefit from a general untying of aid.

Her call for the UK to consider supporting an international effort to untie aid budgets is likely to find sympathy in the US. Among Washington's concerns are that tied aid might be used by industrial countries to buy business in the newly emerging East bloc markets. It also comes at a time when Japan, with a total aid budget of some $10bn, is rapidly untying much of its spending.

Tide is set to turn for Welsh island tax haven



By Alison Smith

TWO small islands and a community of 50, including 14 Cistercian monks, have been put on the map by a House of Commons committee.

Caldey and St Margaret's Islands off the Welsh coast of Pembrokeshire had been missed off the register to pay the community charge, the controversial new local government levy which has been the source of the Government's recent fall in popularity.

Mr David Hunt, the Welsh Secretary, had unaccountably left to Mr Wyn Roberts, his deputy, the task of explaining the legislation to the islanders.

Mr Roberts said that as St Margaret's island was uninhabited he would, "in the interests of brevity," refer to both islands simply as Caldey.

The minister said that an ancient anomaly meant that the islanders were not strictly part of the local, parliamentary and European parliament electoral systems. Thus until the error had been spotted they had been able to vote but not to pay the South Pembrokeshire poll tax of £188.

In correcting what was "probably in contravention of the European Convention on Human Rights" Mr Roberts insisted that he had gone as far as he could to meet the islanders' desire for independence.

Mr David Harris MP, wanted to be sure the Caldey islanders would pay the full charge, despite the range of services they did not receive. He had to reassure his "off-island" constituents in the lesser Scilly Isles, in the Atlantic, that they were not missing out by having to make their full contribution.

But Labour MP Mr Gareth Wardell feared that South Pembrokeshire was missing out on the extra tourist revenue that would result from leaving Caldey as a "poll tax haven".

Imagine the tourists coming to see the smiling residents free from the yoke of the tax, he urged. They would more than make up for the lack of poll tax and business rates from the islanders.

Concern at European intervention on monopolies

The head of Britain's mergers watchdog discusses its role in a changing environment, writes Robert Rice

ONE of Mr Sydney Lipworth's concerns about the European Merger Regulation is that the thresholds for triggering European intervention are set too low.

If, as has been mooted, they were in time to come down even further it would be a shame, he says, because it would obviously reduce the amount of work handled by the Monopolies and Mergers Commission. The South African-born chairman of the MMC "likes being busy".

Which is just as well because the workload of the Commission has risen dramatically over the last two years. References to the MMC were running at about 13 a year between 1985 and 1988. But in 1989 the number leapt to 30. Already this year there have been 17. In 1988 the Commission completed 15 reports, in 1989, 24 and 11 in the first four months of this year.

In April, in an official statement on competition policy, Mr John Redwood, Corporate Affairs Minister, re-emphasised that preserving competition should be the sole criterion of monopolies and mergers policy. His comments were seen as reflecting concern within the DTI that the Government should do more to see that this criterion was being rigorously applied, particularly in relation to small and medium sized companies.

Mr Lipworth rejects the suggestion, however, that this apparent change of "policy" has been responsible for the Commission's increased workload or that the Commission is being overburdened with trivial references of small mergers in niche markets.

If you look at the references the Commission has dealt with, the reasons for the increase are obvious, he says. There has also been an increase in merger activity both in the UK and across the Continent – an inevitable consequence of the Single Market – and there is a much greater awareness of competition in general. You can see that even in relation to eastern Europe where there is a quest for greater openness and more competitive markets, he says.

He also rejects the suggestion that the MMC should only concern itself with large mergers in big markets leaving smaller mergers in niche markets to some other body.

It would become "an invidious judgement" as to what should qualify as a big or important merger and what should not. A small merger can have a major impact in a local market, he says.


Lipworth "being busy"

In spite of the increased workload the average time taken by the Commission to complete reports on merger references has fallen from six months to three months, and to complete major monopoly investigations from two years to between nine months and a year.

The reduction in investigation time has been achieved by streamlining procedures and shortening the time scales by which various stages of an investigation must be completed and by cutting out some of the more "ritualistic" steps in an investigation to avoid duplication of effort.

He is anxious to dispel any suggestions that these procedural changes have threatened the delicate balance between the need for speed and thoroughness in the Commission's work.

Speed is never so important that it is worth sacrificing quality and thoroughness for. Maintenance of the quality and thoroughness of what the MMC does is absolutely paramount, he says. If the investigation can't be completed properly within the set time scale then the Commission applies for an extension. It requires the co-operation of all the parties involved but in general if an investigation can be completed within a shorter timescale businesses much prefer it.

The increasing workload may require extra resources, he admits. At the moment the Commission has about 30 part-time members – a mixture of economists, businessmen, trade unionists, lawyers and accountants.

There is provision for their number to rise to 50, and Mr Lipworth would like to the number of members rise to 40 as soon as possible. But because of the part-time nature of the job, it is not always easy to get people of the right quality.

He would like to see more people with scientific and industrial experience on the Commission. The Commission also tends to get people who are reaching the end of their careers or who have just retired and he would like to have more people on the Commission who are still active.

But in general Mr Lipworth is a staunch defender of the MMC's "part-time approach" to competition particularly when contrasted with the German and American way of doing things. The big advantage of the UK system is that you do get two things: a speedy and final result and you get a very fair crack of the whip, a detailed investigation in a dispassionate way, he says.

"I'm a great believer in separation of powers. I think that the Bundeskartellamt is an extremely effective institution, I have the highest regard for it, and they're extremely good at deciding matters that are not very contentious. But I find it very difficult to see how the officials who have given unofficial guidance, who've negotiated with the parties, who've listened to their points of view, can later adjudicate in a dispute when they then have to decide the very facts on which they first gave some informal guidance".

"I think our system, taking it away out of the arena at that point and giving it to a body to look into in depth is a good system. So I like the idea of what is basically an economic arbitration. I think it has a lot going for it."

Competition is a complex subject, he says. But at the end of the day who is the expert on competition? You can have economists who know a lot about it and businessmen and lawyers who think they know a lot about it, he says.

"I don't know that it's the preserve of any one specialty and after all, when it comes to appeals against decisions of the Bundeskartellamt, or the European Commission, they are resolved by the courts. In America competition issues are also finally resolved by the courts.

"I think competition is very dynamic. I think it's one that requires analysis, and one that requires a bit of education."

Government working party set up to study shipping industry

By Richard Tomkins, Transport Correspondent

BRITAIN'S beleaguered shipping industry was given a shot in the arm yesterday with news that the Government has agreed to set up a working party to study its troubles.

The Department of Transport will work with the General Council of British Shipping, the trade association for the British industry, in a joint study to be completed by September 14.

The decision to set up the working party comes at the end of a period of ferocious lobbying by the UK's much-shrunken shipping industry for a sympathetic hearing from the Government.

Some observers drew significance from the fact that yesterday's announcement coincided with the election of Sir Jeffrey Sterling, chairman of the Peninsular & Oriental Steam Navigation Company, to the presidency of the GCBS. Sir Jeffrey moves in senior Government circles and is widely regarded as having Mrs Thatcher's ear.

He is to co-chair the working party with Mr Cecil Parkinson, the Transport Secretary. Other members will be drawn from the Whitehall and the GCBS.

The troubles of the British shipping industry stem from 10 years of decline triggered by the recession in world shipping. Britain's merchant fleet shrank from 1,143 ships at the beginning of the decade to 581 at the end of it - though tonnage declined slightly less sharply.

Recent signs of an upturn in world shipping have left Britain keen to revive its merchant fleet, but soaring prices for new and second-hand vessels have almost obliterated the benefits of rising freight rates.

Britain's shippers are therefore pressing for tax breaks to put them on a par with those of other countries such as Norway, Denmark and West Germany.

They say shipping is Britain's third largest contributor to the UK balance of payments after insurance and tourism, earning a net £1.3bn in 1988. Related City activities such as marine insurance, ship-broking, marine equipment, salvage and law contribute another £1bn.

They argue that the cost to the Exchequer of a modest range of tax breaks to revive British shipping would be more than outweighed by the increased tax take from a buoyant industry.

FT LAW REPORTS

European Court rules equal pay means equal pensions

BARBER v GUARDIAN ROYAL EXCHANGE ASSURANCE GROUP
European Court of Justice: May 17 1990

A COMPULSORILY redundant man is entitled under EC law to the same "pay" in the form of benefits, including pension rights under a contracted-out scheme, as a woman of the same age who is made redundant in the same circumstances. And in order to avoid upsetting retroactively the financial balance of many contracted-out schemes, the law only has direct effect in respect of pension entitlements arising after May 17 1990, unless claimed in legal proceedings initiated before that date.

The European Court of Justice so ruled when answering questions referred to it by the Court of Appeal in proceedings by Mrs Pamela Barber on behalf of the estate of her deceased husband, Mr Douglas Harvey Barber, against the Guardian Royal Exchange Assurance Group.

ARTICLE 119 of the European Economic Community Treaty provides: "Each member state shall ... ensure and subsequently maintain the application of the principle that men and women should receive equal pay for equal work.

For the purposes of this article 'pay' means the ordinary ... wage or salary and any other consideration, whether in cash or kind, which the worker receives directly or indirectly, in respect of his employment ..."

Article 3 of Council Directive 75/117/EC on equal pay provides: "Member states *shall* take the necessary measures to ensure that the provisions *appearing in ... contracts of* employment which are contrary to the principle of equal pay *shall* be ... null and void ..."

THE European Court of Justice said that Mr Barber was a member of a pension fund established by the Guardian under a non-contributory scheme wholly financed by the employer. It was a "contracted out" scheme approved under the Social Security Pensions Act 1975, involving the contractual waiver of the earnings-related state pension scheme.

Under the Guardian scheme the normal pensionable age in Mr Barber's category of employee was 62 for men and 57 for women. The difference was equivalent to that under the state scheme.

The Guardian Guide to Severence Terms, which formed part of Mr Barber's contract of employment, provided that in the event of redundancy, members were entitled to an immediate pension subject to having attained 55 for men or 50 for women. Staff who did not fulfil those conditions received cash benefits calculated on the basis of years of service, and a deferred pension.

Mr Barber was made redundant on December 31 1989, when he was 52. The Guardian paid him the cash benefits provided for in the Severance Terms, statutory redundancy pay, and an *ex gratia* payment. He would have been entitled to a retirement pension as from his 62nd birthday.

It was not disputed that a woman in the same position as Mr Barber would have received an immediate retirement pension as well as the statutory redundancy pay, and that the total value of her benefits would have been greater than the amount paid to him.

Taking the view that he was a victim of unlawful discrimination based on sex, Mr Barber instituted proceedings in the industrial tribunal. His claim was dismissed at first and second instance. He appealed.

The Court of Appeal decided to stay proceedings and to refer questions to the Court of Justice for a preliminary ruling. Mr Barber died while the proceedings were in progress.

The first question was: when a group of employees was made compulsorily redundant and received benefits in connection with that redundancy, were all those benefits "pay" within the meaning of article 119 of the EC Treaty and the equal pay directive?

The Court had consistently held that the equal pay directive, which was designed to facilitate application of the equal pay principle in article 119, in no way altered the content or scope of that principle as there defined.

The fact that certain benefits were paid after termination of the employment relationship did not prevent them from being in the nature of pay within the meaning of article 119.

Compensation in connection with redundancy constituted a form of pay in respect of employment and fell within the concept of pay within article 119. It could not cease to constitute a form of pay on the sole ground that it was statutory or *ex gratia*.

The answer to the first question must be that benefits paid by an employer to a worker in connection with compulsory redundancy fell within article 119, whether paid under a contract of employment, by virtue of legislative provisions, or on a voluntary basis.

The second question was: was it material that one of the benefits in question was a pension under a private occupational scheme operated by the employer?

Such schemes were the result of agreement between workers and employers, or unilateral decision by the employer. They were wholly financed by employer and workers without contribution by public authorities. Accordingly, they formed part of the consideration offered to workers by the emloyer.

The answer to the second question must therefore be that a pension paid under a contracted-out private occupational scheme fell within article 119.

The third question was: was the principle of equal pay infringed if (a) a man and woman of the same age were made compulsorily redundant, and the woman received an immediate private pension but the man received only a deferred private pension; or (b) the total value of benefits received by the woman was greater than the total value received by the man?

The fifth question was: was it material to question three that the reason the woman qualified for immediate pension, was that she was treated as retired because she was redundant within seven years of her normal pension date?

Article 119 prohibited any discrimination with regard to pay as between men and women, whatever the system which gave rise to such inequality. It was contrary to article 119 to impose differing age conditions even if based on the national statutory scheme.

The answer to the third and fifth questions must be that it was contrary to article 119 for a man made compulsorily redundant to be entitled only to deferred pension when a woman in the same position was entitled to immediate pension as a result of the application of an age condition that varied according to sex in the same way as under the national statutory pension scheme. Application of the equal pay principle must be ensured in respect of each element of remuneration, not only on the basis of comprehensive assessment of consideration paid to workers.

The fourth question was whether article 119 and the equal pay directive had direct effect.

According to established case law, article 119 applied directly to all forms of discrimination which might be identified solely by the criteria of equal work and equal pay, without national or Community measures being required to define them with greater precision.

The answer to the fourth question must be that article 119 might be relied on before national courts, and it was for those courts to safeguard the rights it conferred on individuals.

COUNCIL Directive 79/7/EC on equal treatment of men and women in social security matters authorised member states to defer the compulsory implementation of the equal treatment principle with regard to determination of pensionable age. That exception had been incorporated in Directive 86/378/EC on equal treatment in occupational social security schemes, which might apply to contracted-out schemes.

In the light of those provisions member states and the parties were reasonably entitled to have considered that article 119 did not apply to pensions under contracted-out schemes, and that derogations from the equality principle were still permitted in that sphere.

In those circumstances overriding considerations of legal certainty precluded legal situations that might upset retroactively the financial balance of many contracted-out pension schemes. It was appropriate to provide for an exception in favour of individuals who had taken action in good time to safeguard their rights.

Accordingly, the direct effect of article 119 might not be relied on in order to claim entitlement to a pension with effect from a date prior to date of the present judgment, except in the case of those who had, before that date, initiated legal proceedings or raised an equivalent claim under the applicable national law.

For Mr Barber: Christopher Carr QC (Irwin Mitchell)

For the Guardian: David Vaughan QC and Timothy Wormington (Jaques & Lewis

For the UK: Peter Goldsmith QC (Treasury Solicitor)

For the Commission: Karen Banks and Julian Currall (Commission legal department)

Rachel Davies
Barrister

Sheltered from a cold climate

By Paul Cheeseright

Land Securities is a barometer of the property sector, yet it operates in a different climate from most of its smaller corporate brethren.

Its results are widely seen as a indication of how the sector is managing, but its approach is not typical.

Certainly, had it, last Wednesday, produced results which showed a sharp fall in net asset value and a reduction in pre-tax profits, then the depressed property share market would probably have shrivelled in despair.

In fact, there was a tiny increase in the net asset value at March 1990 to 879p from 855p the year before; there was a healthy rise in rental income and interest received; and the pre-tax profits for the year to last March came out at £175.1m against £149.2p the year before.

But the sheer size of the group, with its £5.6bn portfolio, ensures that, short of national economic catastrophe, it will trundle on: plenty of cash in hand, a string of long-term borrowings at fixed rates of interest amply covered by its rental income, no nasties off the balance sheet. It has income regardless of how the net asset value figure moves.

So it is not a good guide to the health of the sector in bad times, although, in the good times, its figures will move up in line with the rest of the sector.

It becomes much stronger during the years of surging values, so that when the market turns down, a 10 or 20 per cent fall in asset value is unpleasant but not fundamental to the even tenor of its existence.

As it is, Mr Peter Hunt, the chairman, was quick to point out that over the past four years the net assets of the group have risen 109 per cent.

Further, it is not groups such as Land Securities which are in difficulties. The problems of high interest rates, widening yields and, in some areas, a slackening of tenant demand hurt the property developers which have to sell completed buildings to survive. Land Securities develops buildings to put them in its investment portfolio.

It is doing, in fact, what many of the developers would like to be able to do. Many of them, after all, seek to retain some of the buildings they develop in order to create an asset base.

Once the assets have been accumulated, the existence of the portfolio provides its own opportunities for further growth. Size begets greater size.

These opportunities come in the form of redevelopment possibilities or just simple improvement to buildings to increase their facilities and hence the rents they command.

But most property development companies are simply not in this league.

Indeed, Mr Hunt noted that Land Securities "spends a lot of time improving buildings; each year it buys in a lot of leases and that has the effect of jacking up values before they would otherwise go up."

This was one factor he adduced to demonstrate that the group was special in the sector.

Another was "the constant quality of good locations." This was a reference to the sustained policy of buying in central city areas for offices and shops; no dalliance with London Docklands for Land Securities.

The buildings which are difficult to lease or sell tend not to be in city centres, but on the fringes. It is to the fringes that smaller companies in the sector are often pushed.

They do not have the financial muscle to buy inside and, the established landowners such as Land Securities are there already.

In short, Land Securities has an inner momentum which only an established portfolio can provide. It is thus able to take a longer view than any other company in the sector except the larger investment companies.

Few in the City believe that Land Securities will see any rise in its asset value during the current year to next March.

Mr Hunt will not comment on that one way or the other but he does argue that "apart from yields, the sense is an upward movement in our portfolio."

He does not have to worry too much about yields because he does not have to sell – that is the problem of the ailing developer.

"Our pre-tax profits are derived solely from property and investment income and there is no element of gain made on sales of properties in those profits," he said.

Nor does Mr Hunt see 1990 as being a year of spectacular rental growth. But what he does see is a return of confidence in the market, a confidence which has drained away with increasing speed since last autumn.

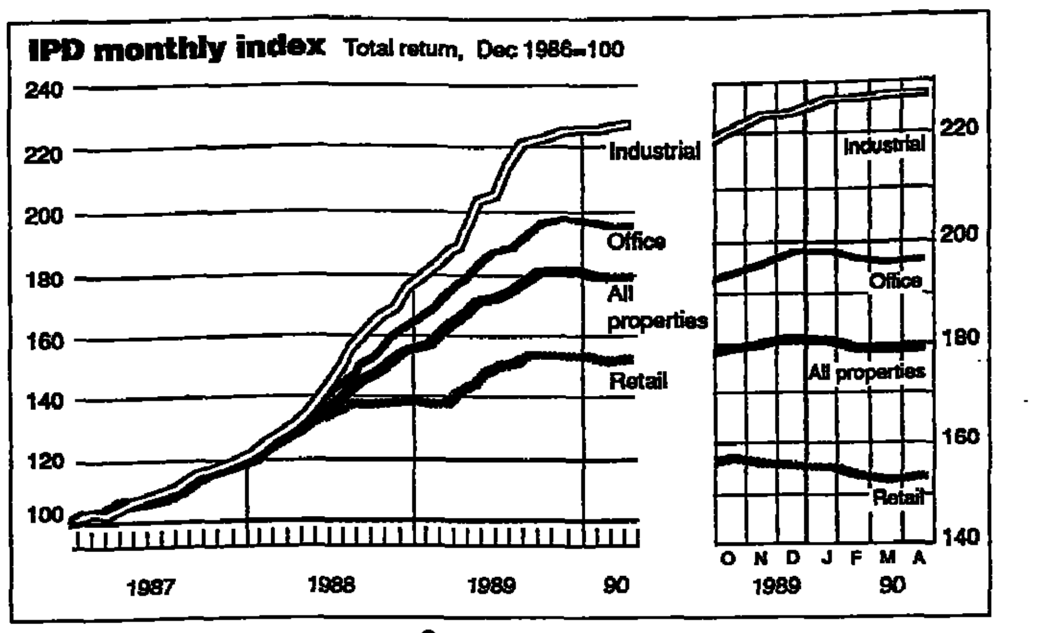
The picture he draws is of some relief on interest rates at the end of this year, inflation in 1991 coming down to between 5 and 6 per cent, the UK joining the Exchange Rate Mechanism of the European Monetary System sometime in the next year and – this appeared a personal preference - a better political showing by the Conservative Government.

If he is right, then the property market should start strengthening towards the middle of next year.

A year in the life of Land Securities may be a short period, but it is looking very long for some of the *more vulnerable developers.*

There is a gathering of opinion among analysts that the most difficult period for the highly geared will come in the last months of this year, another two quarter days further on.

By then, it is believed, the high interest charges will have taken their toll of developers trying to sell in a sluggish investment market and the bankers will find their patience running out.



Returns continue to sag

TOTAL returns in the property market remain very low but have marginally improved since a low point in February.

In April, according to the Investment Property Databank monthly index, they were a meagre 0.3 per cent, against a still more meagre 0.1 per cent in March and minus 0.6 per cent in February.

But seen on a yearly basis, the returns have continued to sag. In the year to last April they were 9.6 per cent, compared with 29.1 per cent in the year to April 1989.

On an annual basis capital growth for all properties has fallen to 4.1 per cent, although rental growth was 14.2 per cent.

This points up the contrast between the relative health of the leasing market and the sluggishness of an investment market deprived *of any great institutional interest.*

Last month, the IPD noted, retail property was the only sector to produce any capital growth, the first time it has shown any for six months. But the growth took place only in London where the total return was 3.7 per cent against nothing at all in the south-east of England and minus 0.3 per cent in the rest of the UK.

Office returns for April were slightly lower than in March and capital values declined 0.3 per cent. Rental growth and total returns in the sector have been lowest in London and highest outside the south-east.

Although total returns in industrials were fractionally higher then in March, the sector has lost its position, held for a year, as the best performing part of the property market.

Rental growth has subsided sharply, presumably as a result of the economic slowdown. During the last quarter the total return was highest in London.

Paul Cheeseright

INTERNATIONAL PROPERTY

PUBLIC NOTICE

Scottish Power plc

TAKE NOTICE that Scottish Power plc has applied for an extension to a private Electricity Supply Licence in the following terms:

1. Full name of the applicant: SCOTTISH POWER plc

2. Address of applicant(s) or, in the case of a body corporate, the registered or principal office:

   Cathcart House,
   Spean Street,
   GLASGOW,
   G44 4BE

3. Where the applicant is a company, the full names of the current Directors and the company's registered number:

   Donald John Miller
   Ian Mathieson Hamilton Preston
   Anthony Frederick Pexton
   Duncan Whyte
   Michael Andrew Smith
   Ian Hamish Macdonald
   Nicholas Christopher Dwelly Kuenssberg
   Colin Hyndmarsh Black
   Charles Murray Stuart

   Registered No. 117120

4. Where a holding of 20 per cent or more of the shares (see note 1) of an applicant is held by a body corporate or partnership or an unincorporated association carrying on a trade or business with or without a view to profit the name(s) and address(es) of the holder(s) of such shares shall be provided:

   Not applicable

5. Desired date from which the licence is to take effect:

   1 JUNE 1990

6. A sufficient description adequately specifying (see note 2) the nature and situation of the premises intended to be supplied, separately identifying premises within the power bands specified in and to the extent provided by paragraph 7 below:

   All non-domestic premises with a demand of 1.0 MW or more in the following PES Areas:

   Eastern Electricity plc
   East Midlands Electricity plc
   London Electricity plc
   Manweb plc
   Midlands Electricity plc
   Northern Electric plc
   NORWEB plc
   SEEBOARD plc
   Southern Electricity plc
   South Wales Electricity plc
   South Western Electricity plc
   Yorkshire Electricity Group plc
   Scottish Hydro-Electric plc

7. (a) Subject to sub-paragraph (b) indicate the total number of premises intended to be supplied in each power band as shown in the table below, together with the aggregate energy forecast to be supplied and the aggregate estimated maximum demand (see note 3) for each power band.

   (b) If the date in paragraph 5 above is on or after 1 April 1994 then only Power Band A shall be completed and if the said date is on or after 1 April 1998 then this paragraph shall cease to have effect.

Power Band	Number of premises	Aggregate maximum demand	Energy(Gwh) to be supplied
(A) Not exceeding 0.1 MW		NONE	
(B) Exceeding 0.1 MW but not exceeding 1.0 MW		NONE	

8. A description of the system of electric lines and electrical plant by means of which the applicant intends to supply electricity, indicating which plant and lines are to be constructed and which are existing plant and lines, and further identifying any parts of that system which will not be owned by or otherwise in the possession or control of the applicant;

   Lines owned by:

   The National Grid Company plc
   Eastern Electricity plc
   East Midlands Electricity plc
   London Electricity plc
   Manweb plc
   Midlands Electricity plc
   Northern Electric plc
   NORWEB plc
   SEEBOARD plc
   Southern Electricity plc
   South Wales Electricity plc
   South Western Electricity plc
   Yorkshire Electricity Group plc
   Scottish Power plc
   Scottish Hydro-Electric plc

9. A statement of the extent (if any) to which the applicant considers for powers under Schedule 3 (compulsory acquisition of land etc.) and under Schedule 4 (other powers etc.) to the Act to be given through the licence for which he is applying:

   As laid down in Conditions 10 and 11 of the Private Electricity Supply Licence granted by the Secretary of State for Scotland to Scottish Power plc on 28 March 1990.

10. Details of any licence held, applied for or being applied for by the applicant in respect of the generation, transmission or supply of electricity:

   Generation, Transmission and Public Electricity Supply Licence,
   Private Electricity Supply Licence

Copies of the maps accompanying this application are available for inspection at the Office of Electricity Regulation in each supply area to which this application relates.

D.A.S. MacLaren, Company Secretary of Scottish Power plc.,
Cathcart House, Spean Street, Glasgow G44 4BE.

oftel
Office of Telecommunications

NEW CONNECTION ARRANGEMENTS
FOR CALL ROUTING APPARATUS

Notice published by the Director General of Telecommunications under condition 6.4 of the Class Licence for the Running of Branch Telecommunication Systems ("the BSGL") granted by the Secretary of State for Trade and Industry under section 7 of the Telecommunications Act 1984.

Specification of persons other than Public Telecommunications Operators who may make connection to the public networks.

1 The Director General of Telecommunications ("the Director") hereby gives notice that he intends, under condition 6.3(c) of the BSGL to specify installers who have been registered by the British Standards Institution ("the BSI") against the Quality Assessment Schedule (QAS7902/377) to BS 5750: Part 2 relating to Installation, Commissioning and Connection of Call Routing Apparatus ("the QAS"), as belonging to a class of persons who may make the final connection to the public networks in accordance with the terms of their BSI registration.

2 The Director will keep a list of those registered by BSI against the QAS, and will make the said list available for inspection by the general public.

3 The purpose of this specification is to liberalise the connection arrangements for call routing apparatus to the public networks.

ART GALLERIES

LEGAL NOTICES

THE COLNE VALLEY WATER COMPANY

NOTICE IS HEREBY GIVEN that the Transfer Books of Debenture Stocks will be closed for one day only on 5th June, 1990 for the preparation of Interest Warrants payable on 1st July, 1990.

Dated this 25th day of May, 1990.

J.A. FENNELL
Secretary

Blackwell House
Aldenham Road
Watford, Herts
WD2 2EY

FT LAW REPORTS

Equal pay means equal pensions

BARBER v GUARDIAN ROYAL EXCHANGE ASSURANCE GROUP
European Court of Justice: May 17 1990

A COMPULSORILY redundant man is entitled under EC law to the same "pay" in the form of benefits, including pension rights under a contracted-out scheme, as a woman of the same age who is made redundant in the same circumstances. And in order to avoid upsetting retroactively the financial balance of many contracted-out schemes, the law only has direct effect in respect of pension entitlements arising after May 17 1990, unless claimed in legal proceedings initiated before that date.

The European Court of Justice so ruled when answering questions referred to it by the Court of Appeal in proceedings by Mrs Pamela Barber on behalf of the estate of her deceased husband, Mr Douglas Harvey Barber, against the Guardian Royal Exchange Assurance Group.

ARTICLE 119 of the European Economic Community Treaty provides: "Each member state shall . . . ensure and subsequently maintain the application of the principle that men and women should receive equal pay for equal work.

For the purposes of this article 'pay' means the ordinary . . . wage or salary and any other consideration, whether in cash or kind, which the worker receives directly or indirectly, in respect of his employment . . ."

Article 3 of Council Directive 75/117/EC on equal pay provides: "Member states shall take the necessary measures to ensure that the provisions appearing in . . . contracts of employment which are contrary to the principle of equal pay shall be . . . null and void . . ."

THE European Court of Justice said that Mr Barber was a member of a pension fund established by the Guardian under a non-contributory scheme wholly financed by the employer. It was a "contracted out" scheme approved under the Social Security Pensions Act 1975, involving the contractual waiver of the earnings-related state pension scheme.

Under the Guardian scheme the normal pensionable age in Mr Barber's category of employee was 62 for men and 57 for women.The difference was equivalent to that under the state scheme.

The Guardian Guide to Severence Terms, which formed part of Mr Barber's contract of employment, provided that in the event of redundancy, members were entitled to an immediate pension subject to having attained 55 for men or 50 for women. Staff who did not fulfil those conditions received cash benefits calculated on the basis of years of service, and a deferred pension.

Mr Barber was made redundant on December 31 1989, when he was 52. The Guardian paid him the cash benefits provided for in the Severance Terms, statutory redundancy pay, and an *ex gratia* payment. He would have been entitled to a retirement pension as from his 62nd birthday.

It was not disputed that a woman in the same position as Mr Barber would have received an immediate retirement pension as well as the statutory redundancy pay, and that the total value of her benefits would have been greater than the amount paid to him.

Taking the view that he was a victim of unlawful discrimination based on sex, Mr Barber instituted proceedings in the industrial tribunal. His claim was dismissed at first and second instance. He appealed.

The Court of Appeal decided to stay proceedings and to refer questions to the Court of Justice for a preliminary ruling. Mr Barber died while the proceedings were in progress.

The first question was: when a group of employees was made compulsorily redundant and received benefits in connection with that redundancy, were all those benefits "pay" within the meaning of article 119 of the EC Treaty and the equal pay directive?

The Court had consistently held that the equal pay directive, which was designed to facilitate application of the equal pay principle in article 119, in no way altered the content or scope of that principle as there defined.

The fact that certain benefits were paid after termination of the employment relationship did not prevent them from being in the nature of pay within the meaning of article 119.

Compensation in connection with redundancy constituted a form of pay in respect of employment and fell within the concept of pay within article 119. It could not cease to constitute a form of pay on the sole ground that it was statutory or *ex gratia*.

The answer to the first question must be that benefits paid by an employer to a worker in connection with compulsory redundancy fell within article 119, whether paid under a contract of employment, by virtue of legislative provisions, or on a voluntary basis.

The second question was: was it material that one of the benefits in question was a pension under a private occupational scheme operated by the employer?

Such schemes were the result of agreement between workers and employers, or unilateral decision by the employer. They were wholly financed by employer and workers without contribution by public authorities. Accordingly, they formed part of the consideration offered to workers by the emloyer.

The answer to the second question must therefore be that a pension paid under a contracted-out private occupational scheme fell within article 119.

The third question was: was the principle of equal pay infringed if (a) a man and woman of the same age were made compulsorily redundant, and the woman received an immediate private pension but the man received only a deferred private pension; or (b) the total value of benefits received by the woman was greater than the total value received by the man?

The fifth question was: was it material to question three that the reason the woman qualified for immediate pension, was that she was treated as retired because she was redundant within seven years of her normal pension date?

Article 119 prohibited any discrimination with regard to pay as between men and women, whatever the system which gave rise to such inequality. It was contrary to article 119 to impose differing age conditions even if based on the national statutory scheme.

The answer to the third and fifth questions must be that it was contrary to article 119 for a man made compulsorily redundant to be entitled only to deferred pension when a woman in the same position was entitled to immediate pension as a result of the application of an age condition that varied according to sex in the same way as under the national statutory pension scheme. Application of the equal pay principle must be ensured in respect of each element of remuneration, not only on the basis of comprehensive assessment of consideration paid to workers.

The fourth question was whether article 119 and the equal pay directive had direct effect.

According to established case law, article 119 applied directly to all forms of discrimination which might be identified solely by the criteria of equal work and equal pay, without national or Community measures being required to define them with greater precision.

The answer to the fourth question must be that article 119 might be relied on before national courts, and it was for those courts to safeguard the rights it conferred on individuals.

COUNCIL Directive 79/7/EC on equal treatment of men and women in social security matters authorised member states to defer the compulsory implementation of the equal treatment principle with regard to determination of pensionable age. That exception had been incorporated in Directive 86/378/EC on equal treatment in occupational social security schemes, which might apply to contracted-out schemes.

In the light of those provisions member states and the parties were reasonably entitled to have considered that article 119 did not apply to pensions under contracted-out schemes, and that derogations from the equality principle were still permitted in that sphere.

In those circumstances overriding considerations of legal certainty precluded legal situations that might upset retroactively the financial balance of many contracted-out pension schemes. It was appropriate to provide for an exception in favour of individuals who had taken action in good time to safeguard their rights.

Accordingly, the direct effect of article 119 might not be relied on in order to claim entitlement to a pension with effect from a date prior to date of the present judgment, except in the case of those who had, before that date, initiated legal proceedings or raised an equivalent claim under the applicable national law.

For Mr Barber: Christopher Carr QC (Irwin Mitchell)

For the Guardian: David Vaughan QC and Timothy Wormington (Jaques & Lewis

For the UK: Peter Goldsmith QC (Treasury Solicitor)

For the Commission: Karen Banks and Julian Currall (Commission legal department)

Rachel Davies
Barrister

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Telephone (0222) 239944 Fax (0222) 237720.

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Peter Beirne

KPMG Peat Marwick Corporate Recovery
Queen Square House, Queen Square, Brighton BN1 3FD.
Tel: 0273 820042. Fax: 0273 23723.

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For further information contact the Joint Administrative Receivers:
S. J. L. Adamson CA and M. E. Mills FCA,
Ernst & Young, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.
Tel: 071-928 2000 ext 1587.
Telex: 888604. Fax: 071-405 2147.

Ernst & Young

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Leathergoods Manufacturer

The Joint Administrative Receivers, A. G. Pearce and G. Ord, offer for sale the business and assets of Leon Jessel Limited (in receivership).

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Principals only should apply in writing for further details to: A. G. Pearce, Joint Administrative Receiver, Ernst & Young, P.O. Box No. 1, 3 Colmore Row, Birmingham B3 2DB.

Ernst & Young

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* *5 bars and 80 cover restaurant*
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Any other enquiries to the Joint Administrators, *R. A. Collins FCA and W. J. Kelly FCA, Provincial* House, 37 New Walk, Leicester LE1 6TU.
Tel: 0533 549818. Fax: 0533 551357.

Ernst & Young

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Touche Ross

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For further information please contact the Joint Administrators Robert Ellis or David Bird at the address below.

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Tel: 0222 481111. Fax: 0222 482615.
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Interested parties should contact the sole agents, **Messrs York Montague (Ref: (DH)) 11 Hills Place, London W1R 1AG, Tel: 071 437 6060.**
Any other enquiries to the Joint Administrative Receiver, P R Copp FCA FCCA or to G S Kinlan FIPA (Ref: CJ)

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For further details please contact Louis McCulloch
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FAX 0306 880038

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**Gavin Bishop on 071-873 4780
or
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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

MANAGEMENT

Philips in crisis

Pressure to reshape the mould

Structural changes will not in themselves stimulate the Dutch electronics and lighting group's renaissance, argues **Guy de Jonquières.** Corporate culture must also be transformed

In happier days Cor van der Klugt, outgoing president of Philips, used to liken his struggle for improved international competitiveness to bringing about "a change of religion" in the sprawling Dutch electronics and lighting manufacturer and its 300,000 employees worldwide.

That was before this year's disastrous first quarter results plunged the company into crisis, precipitating van der Klugt's early retirement and unleashing a desperate search for remedial actions to restore investors' shattered confidence.

It is a measure of the task ahead that Philips has only just emerged from an extensive shake-up intended to sharpen its performance. In the past four years, van der Klugt has closed some 70 factories, shed many peripheral businesses and imposed the authority of central product divisions on the company's once largely autonomous national subsidiaries.

However, as many large companies have discovered, it is one thing to re-shape an organisation and quite another to get the people in it to behave differently. All the more so when, as in Philips' case, it means changing attitudes, practices and beliefs which have become second nature over a period of a century.

Rapid-fire restructuring may have complicated matters by confusing some managers, rather than motivating them to perform better. As van der Klugt put it in an interview two years ago: "You have a lot of well-drilled regiments and all of a sudden you say you want commandos. You can give them a different cap and uniform and they don't know what to do."

Ironically, Philips' corporate culture embraces many values and principles similar to those of the Japanese electronics companies which are its fiercest competitors. It has long prided itself on taking decisions by consensus and sticking to them over the long term. It is also renowned as a jobs-for-life employer, which provides generous welfare benefits to its staff.

But while these qualities have helped Japanese companies take world markets by storm, at Philips they have frequently been blamed for engendering complacency and feather-bedding. Critics, in the company as well as outside it, argue that the consequence has been to make it too inward-looking, risk-averse and bureaucratic.

Jan Timmer, who takes over as president in July, has already won praise for his efforts to break the mould. As head of consumer electronics, he split the monolithic division into separate units, increased the authority and accountability of line managers and made them immerse themselves much more closely in the day-to-day running of their businesses.

One of Timmer's priorities has been to give more emphasis to product design and marketing, which Philips has been widely accused of neglecting. In an attempt to catch up, it recently purchased 25 per cent of Bang & Olufsen, saying it wanted to tap the Danish consumer electronics manufacturer's design and marketing skills.

Philips has always been strong in research and development and has spawned a stream of innovations including videorecorders and compact disc players.

However, it took a long time to realise that consumer electronics markets were driven more by fashion than by technology, and that products which it had pioneered could be easily copied and improved upon by nimble Asian competitors.

Adjustment was made harder by the long-standing segregation of Philips' management into technical and commercial directorates. Though the two sides of the business have been brought together, technical functions have continued to command greater kudos – and to attract better-qualified recruits – than commercial jobs.

Many critics argue, though, that the source of Philips' biggest handicap is to be found at its headquarters in the sleepy market town of Eindhoven. Remote from Europe's main business hubs, the town seems an improbable nerve-centre for a company which has operations in more than 60 countries and makes much of its global ambitions.

Eindhoven is not only geographically isolated. It is also dominated by Philips, much as renaissance princelings dominated city-states. Home to more than 30,000 of the company's staff – the only other large local employer is a DAF truck plant – its streets are lined with Philips office buildings and factories.

Even the main hotel is company property.

One former executive argues that the headquarters bureaucracy has escaped drastic pruning because the axe would fall so close to home. "It would mean that top managers would have to drive through the town every day, passing people on the street whom they had made redundant," he says. "The only solution would be to move the headquarters to somewhere like Amsterdam or Brussels."

This cosy environment has been blamed for giving top management an in-grown and parochial perspective. All the more so because Philips' top brass is still composed overwhelmingly of Dutchmen who have spent their entire careers with the company.

"Many of them have worked abroad," says one frequent visitor to Eindhoven. "But a surprising number of those who have got to the top have spent their formative years in developing countries. The experience seems to have bred a rather colonial outlook."

Some of Philips' foreign managers say they turned down offers of promotion to headquarters because they feared they could never break into the tightly-knit "Eindhoven establishment", with its clique-ish rules and conventions. Significantly, Timmer is considered an outsider from the club.

Cor van der Klugt (left) and his successor, Jan Timmer, who is considered an outsider from the Eindhoven club

Until now, external pressures on Philips to change its ways have been slight. Unlike West German companies, it has no powerful bank shareholder keeping tabs on its performance, and it is insulated against the threat of a hostile bid by a formidable barricade of takeover defences.

Hence, Jan Timmer's hopes of overhauling Philips, and of making it more responsive to the outside world, are likely to depend heavily on how far he can impose his will on the company. "Timmer will succeed only if he can break through the Philips culture," says a former executive. "And the only way to do that may be to destroy it."

Ocean welcomes quality on board

Simon Holberton reports on the 'new chapter' in the streamlined marine services company's life

Mention the name Ocean to anyone who has been around in the City for a while and it elicits a slightly ruminative reaction.

Ocean, you will hear, used to be in shipping; it used to be the main competitor to the Peninsula and Oriental Steam Navigation Company; it used to be based in Liverpool; and it used to be called Ocean Transport and Trading.

Arguably the most significant "used to be" was the near 30 per cent shareholding in Ocean that Sir Ron Brierley, the New Zealand entrepreneur, used to have. He sold out last autumn, (having failed to win control with a takeover bid in mid-1986), ending what was probably the most difficult time the company – celebrating its 125th anniversary this year – has gone through in peacetime.

It was difficult not only because of the Damocles sword Sir Ron was holding but because it witnessed the most far-reaching change in direction the then Liverpool-based shipping company had undergone.

The scope of the change is underlined by this simple fact: at the beginning of 1986, the year Sir Ron tilted at Ocean, 76 per cent of the company's capital employed was in shipping and fuel storage and just 24 per cent was devoted to freight, environmental and marine services. Today, all its capital is devoted to the latter three service areas and the company no longer operates ships or provides fuel storage facilities.

These bald figures are the result of the strategy deriving from a "promise" that Nicholas Barber, the chief executive, made at the time of the Brierley bid. Last month Ocean reported a 22 per cent advance in pre-tax profits to \$47m and a 15 per cent rise in dividend.

For Barber, both events represent the closing of a chapter in the company's history. Over the past couple of months he has begun to embark on a new phase which, he hopes, will take the company to a position of leadership in its three chosen areas.

This process is one of cultural change to create a degree of homogeneity throughout a presently heterogeneous organisation. The most visible sign of this so far is the company's new corporate logo – a green round-edged square incorporating a stylised wave form and the company's new name, Ocean Group.

Deeper down, however, Barber hopes to make the idea of total quality the company's motive force. It will become, he hopes, "the shared language that binds the group together into something homogeneous although the various markets are different." From being a "used to be" company, Ocean now wants to be an "is" company synonymous with quality.

The name change and the aim of total quality underlie what Ocean calls the "new chapter." The outline of the plot was first exposed to the company's 40 most senior executives at a two-day conference in February. It was followed up in April when Barber brought together the group's 200 senior managers, 50 of whom came from abroad, at a conference in Brighton.

An abstract of the proceedings of the Brighton meeting and a video were produced and translated into eight languages for dissemination throughout Ocean's worldwide operations.

But for a group as diverse as Ocean – three broad divisions encompassing nearly 20 operating companies – the change envisaged is having to be conducted in stages.

McGregor Cory, one of Ocean's main units operating contract distribution and specialised warehousing services, has been chosen as the first to embrace the idea of total quality management.

Results from a series of surveys conducted among employees and present, former and future customers has enabled Ocean to identify the competitive environment in which McGregor Cory operates and by so doing understand better its strengths and weaknesses. The study of its employees has shown that "we were not as good at listening to people as we thought we were," says Barber.

The fruits of this research will be presented to a quality workshop for the group's management committee this month. Then, Barber hopes to finalise the direction of the total quality management initiative and agree an action plan.

Ocean is a purely service company and the delivery of service to the customer is something which was highlighted at the Brighton conference. It was pointed out that in both Japan and the US product and service quality is seen as the key to successful global competition.

Paul Gregory, Ocean's newly-appointed director of quality, told the conference that to achieve total quality the group needed to meet certain "quality absolutes": meeting customer expectations, be they external or internal customers; performance standards leading to error-free work; and, measurement of tasks in order to assist the improvement of quality.

"In essence the quality absolutes require that we do the right thing, at the right time, the first time, at a price that represents value to the customer," Gregory said.

To implement this, he said, Ocean would need to do and create three things. There would have to be a visible management commitment to total quality; employees would have to become involved; and there would have to be training to promote employee awareness of quality, the solving of problems in groups and the statistical tools to measure quality.

Barber says that management's responsibility is "really to make it live for our staff worldwide; the really crucial thing is to reinforce their sense of belief and drive. The people who really count are the ones in the front line who deal with customers be it on the telephone, in deliveries or through invoicing. They are the ones who make the money."

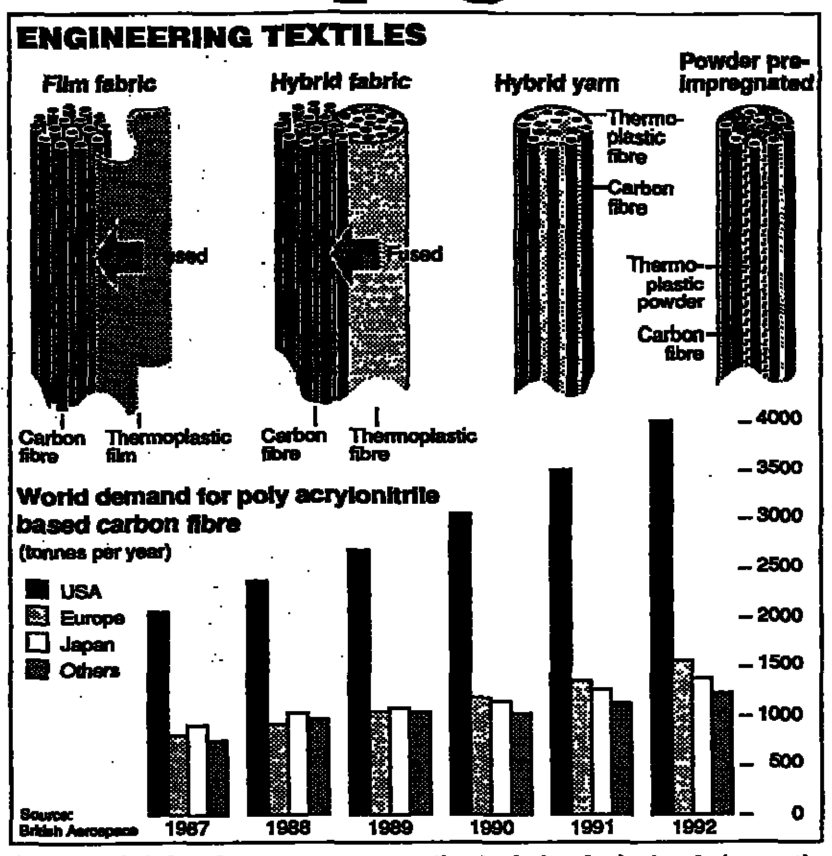
There is another sound commercial reason behind Ocean's quality drive. As Barber points out: "Quality is a requirement for being on a tender list in the US," and that is the direction in which most of the rest of the developed world is heading as well, he says.

The course charted for Ocean is ambitious and Barber has staked a lot on it. He is promising the City 15 per cent growth a year in earnings. "We're taking the company through a period of change as radical as the one I took us through in 1986/87," he somewhat portentously observes.

So far the City's faith in Barber's management style has paid off. All it can do now is wait and see whether the task he has set himself and his management to restructure the company's culture and people will prove as profitable and successful as the physical reorganisation of the company's assets over the past three years.

Lynton McLain on a new generation of fibres for engineering purposes

Alternatives to 'cut spaghetti'



Textiles and fibres for engineering are beginning to offer the prospect of tough, synthetic materials with tailor-made high performance properties.

This ability to suit the material to its function is a new feature of textiles and fibres and could overcome the waste and inefficient design associated with many industrial fibre composite products.

Sometimes the waste is tangible, as when excessive layers of fibres are used in composites. Fewer layers could do the same job better, but a lack of understanding by some users of the properties of what they are handling can lead to overspecified designs. Value can also be lost through inappropriate manipulation. Weaving some advanced fibres, for example, actually destroys their high-strength qualities.

The aim of current work is to understand the properties of individual fibres and patterns of fibres so that textiles for engineering can be designed precisely to give them the properties required for each application.

Engineering textiles include carbon fibre, glass fibre and – one of the latest developments – drawn polyethylene. The objects made from them include parts for cars and planes. A good deal of the Airbus commercial aircraft incorporates textiles of this sort.

Dutch State Mines holds a licence for making polyethylene into fine, light and strong fibres, following a patent held by Professor Ian Ward of Leeds University. Polyethylene fibre is half the weight of glass fibre and twice as strong. It is used in skis and in bows for sportsmen.

Carbon and glass fibres are well established, but designs have not made optimum use of the extraordinary properties of these materials, according to David Woolstencroft, the head of composite manufacturing development at British Aerospace (Military Aircraft). A single strand of carbon fibre seven microns (millionths of a metre) in diameter – many times finer than a human hair – is stronger along its length than an equivalent strand of steel.

Glass fibre applications, such as for the bodies of some cars and for building panels, can show a lack of optimum design. The strands of glass, from nine to 14 microns in diameter, have traditionally been used as a mat "like chopped spaghetti," says Andy Clough, a specialist engineer working with fibre composites at Lotus Cars. Lotus uses the "chopped spaghetti" approach where appropriate, but it also uses unidirectional fibres for high-strength areas, because their properties are more predictable.

"Chopped spaghetti" results in a "quasi-isotropic material." The properties of the fibres in two dimensions, length and breadth, are approximately the same because of the random but closely packed distribution of fibres. A section of the "chopped spaghetti" examined lengthwise will have the same properties as a section across the material. But the strength of the fibres in a vertical direction is difficult to determine because the known strength lies along their length.

Work on measuring the performance of synthetic fibres is underway at the National Physical Laboratory at Teddington. Scientists are finalising computer software on the use of carbon fibre in flat structures and beams that will enable designers to match their requirements with a database of the physical characteristics of the material.

This is one result of a joint industry/Department of Trade and Industry exercise at the NPL on the engineering design of composite engineering structures using fibres. Rover, British Rail, Courtaulds, ICI, Jaguar and Ford are involved on the companies side.

Dr Graham Sims at NPL is designing measuring techniques and ways of harmonising international testing methods for fibre-based composites. He says the lack of uniformity in testing methods is retarding the application of composites.

The application of fibres in a more disciplined way has the potential to avoid uncertainties and overspecification in design, by basing design on the properties of individual fibres.

The starting point for engineering textiles is fibre in reels of yarn.

In this state the extremely fine fibres are fragile in some directions, and can be snapped, though they are strong in others. In carbon fibre, chains of carbon atoms are arranged longitudinally, giving immense strength in one direction.

In the preparation of textiles, fine fibres of carbon are not twisted into threads, but laid "shoulder to shoulder" in a flat alignment, says Andy Clough of Lotus, which is experimenting with the world's first car, the M300, to have a body and structure made entirely of carbon fibre.

The flat assembly of fibres can be made into a textile ready for moulding into the required shape for an aircraft wing or car body panel or chassis beam.

Fibres for composites traditionally have been woven, just like any other textile, giving them a warp and a weft. Both warp and weft fibres are constantly changing their angle as they mesh with one another. Engineers now understand that a weave seen under a microscope is a weak structure because of the kinks. Some of the high-strength properties of the original, straight fibres are cancelled out.

Under a load, in a car or an aircraft, the fibres in a woven material will tend to try to return to straight lines, where their natural strength lies. This tendency will apply a force to the resin which intersperses the fibres in composites, because woven fibres have built in stress. Eventually, the resin will crack and the layers of fibres will separate or delaminate, with a further, potentially damaging loss of performance, according to British Aerospace.

One of the latest developments to achieve closer contact between fibre and resin involves powdered thermoplastic resin, mixed with the fibres.

Jeff Vane, the chairman of Tech Textiles which supplies high performance synthetic fibre fabrics to industry, says the word "woven" is banned from his factory in Andover. The company does not make any woven fabrics for the composite industry, because of the loss of strength compared with non-woven techniques. The company has developed ways of laying carbon and glass fibres in very straight lines and keeping the fibres flat, without any of the crimping or kinks which create stress in woven or knitted fibre textiles.

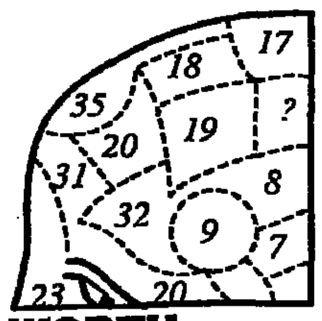
By laying the fibres, of carbon or glass, in long lines of continuous filaments, users are "almost guaranteed a uniform density," Mr Vane says. Since the properties of single fibres are well known, extrapolation of these properties gives the possibility of a known performance for the resulting textiles.

Tech Textiles specialises in laying the fibres in lines, with other continuous filaments laid at angles, such as at 90 degrees, 45 degrees or 30 degrees. Textiles with fibres laid at different combinations of angles can be produced to meet users' functional requirements.

"The layered material will display the optimum value of whatever fibre you apply, because the textile is a collection of separate straight fibres of known properties," Vane says.

By using different layers at different angles, textiles can be made from carbon fibre that will maintain a predictable strength even when the textile is moulded around sharp corners. The company has applied for world patents on its "formable composite material," made from discrete layers of continuous filament fibres of carbon or another advanced fibre, poly ether ether ketone (peek), which are stitched together without creating the stress of weaving.

Formable composites have true isotropic properties, with uniform strength in all dimensions. Their properties, and hence those of the composites they can be made from, are entirely predictable. They could cut wasteful design among users of composites and offer "major possibilities for industry," according to the company. For the first time, fibre composites could be specified in the way steel and other traditional materials are.



WORTH WATCHING

by Della Bradshaw

Software to trap viruses

AN Israeli software company this week launched what it claims is the world's first computer virus protection product capable of detecting and destroying new viruses as well as those already identified, writes Hugh Carnegy.

Anti-virus+, made by Iris Software and Computers, of Tel Aviv, is designed to trap and bait any new virus as it enters a system. It is also "adaptive," learning the pattern of any virus it detects to ensure against any subsequent infection. This means it needs to be updated far less frequently than existing anti-virus products, Iris says.

The company says Anti-virus+ – priced at $99 for the single user – "is based on the latest research into the field of artificial intelligence" and will sweep systems for viruses, detect and remove them, reconstruct damaged programmes and prevent further infection.

Your pledge in the mainframe

TELEVISION viewers in the UK who switch on their sets this weekend to watch the charity-raising Telethon may be unaware that it takes the computing capacity and flexibility of an airline ticket reservation system to cope with the amount of data that will be produced.

The computer system at the centre of the network in Slough is two Digital Equipment Vax 3800 machines, with a further two standing by for back-up. Software from Autofile, of Slough, connects 15 television centres to the main computer over packet switched telephone lines operated by British Telecom.

Attached to each of the 15 regional centres are more than 100 terminals and 2,500 phones. As soon as members of the public call in to pledge money for the appeal, the data is tapped into the terminals and is then sent to the main computer centre.

● Even this year's Wimbledon tennis tournament is turning to the computer.

IBM, as official information technology supplier to the All England Lawn Tennis Club, is supplying systems to provide on-screen statistical information for those watching the matches from their armchairs.

The data from matches being played on the six main courts will be gathered by computer and transmitted to the BBC, which will broadcast the data to TV watchers in the UK and overseas.

Cold comfort for car makers

HOW do you polish unwanted paint from plastic car bumpers during the production process? Freeze it, is the answer from an Anglo-German partnership which has developed a cold gas polisher for the car industry.

The three West German companies, Bayer Chemicals, Johannes Lubbering, of Herzbrock and Messer Griesheim, together with Ingersoll-Rand, of Stratford-upon-Avon, which is marketing the polisher in Europe, believe the polishing technique will enable the car industry to use bumpers which it formerly had to discard because their were faults or blemishes in the paintwork.

The polisher works by blasting the surface with cold nitrogen gas. As it cools to a temperature of -20 deg C, or less, the plastic surface becomes brittle and so can be polished. As the surface warms up it becomes flexible again.

No paper, no pictures

INFORMATION technology has long promised to deliver the paperless office. But one computer development which could relieve the office from mounds of paper files is document image processing – where a piece of paper, such as a form, invoice or diagram, is copied directly into an electronic image on the screen.

Once the image is captured, through optical scanning, the images can be stored on optical disks or sent round a computer network.

One of the drawbacks in the past has been that companies had to buy proprietory systems, but Cornerstone Technology, of San Jose, and Xionics, headquartered in London, have jointly developed a printed circuit board which works with IBM PCs.

The board, sold by Computer Marketing, of Camberley, costs £300 and can match the speed of the dedicated systems, claim the manufacturers.

Profit from insolvency

ONE man's misfortune is another man's profit. That is especially true in the world of insolvency.

To help accountants who deal with insolvencies to speed up the process, an Australian company has introduced a software package in the UK which can work on IBM PCs in the office or on laptop machines – and so can be taken to the client's premises to record information such as creditors or debtors.

The Insolvence package, from Solution 6, of Sydney, can print deposit slips or cheques and keep a full audit trail of all the transactions. It also records the time the accountant spends on each insolvency case.

Mechanical master baker

ENJOY your traditional French croissant while you can – automation is on the way.

A Dutch company, Rijkaart, of Aspern, has developed a machine which can produce a croissant untouched by human hands. First, it cuts the triangular sheet of dough and rolls it up. Then, in a move which in the past has been manual, it curls the dough into its familiar crescent shape ready for baking.

The automatic curling and bending croissant machine, as it is called, is marketed in the UK by European Process Plant, of Epsom.

Contacts: Iris: Israel, 3 571 5319. Autofile: UK, 0753 76200. IBM: UK, 0705 321212. Ingersoll-Rand: UK, 0800 444222. Cornerstone: US, 408 435 8900; West Germany, 89 23113632. Xionics: UK, 081 346 0247. Computer Marketing: 0276 691122. Solution 6: Australia, 612 906 0666; UK, 081 951 5656. Rijkaart: Netherlands, 345 114441. EPP: UK, 0372 745558.

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
25	26	27	28	29	30	31

MUSIC

London

London Concert Orchestra *Puccini Gala Night*. Paul Wynne Griffiths (conductor), Elizabeth Vaughan (soprano). (Sat) Royal Festival Hall (928 8800)
Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy. Weber, Mozart, Tchaikovsky (Tue). Royal Festival Hall (928 8800)
Polish Chamber Orchestra conducted by Jan Stanienda. Holst, Elgar, Vivaldi, Bach, Bartók (Wed). Queen Elizabeth Hall (928 8800)

Paris

Edita Gruberova recital (Mon). Bastille Opéra (40011616).
Jean-Philippe Collard, Augustin Dumay, Quatuor Ysaye: Fauré, Chausson (Mon). Salle Gaveau (45632030).
Murray Perahia, piano. Franck, Schumann, Prokofiev, Liszt (Mon). Salle Pleyel (45638873).
Orchestre Philharmonique d'Oslo conducted by Mariss Jansons. Handel, Albinoni, Tartini, Tchaikovsky (Mon). Chatelet (40282828).
Orchestre des Jeunes de Toute L'Europe and Trio Wanderer conducted by Sir Yehudi Menuhin and Jiri Mikula: Smetana, Martinu, Beethoven (Tue). Théâtre des Champs Elysées (47203637).
Ensemble Orchestral de Paris *conducted* by Bruno Campanella, Enzo Dara (bass). Respighi, Verdi, Cimarosa (Tue). Salle Pleyel(45638873).
Orchestre Philharmonique conducted by Bernhard Klee, Christian Zacharias (piano): Mozart (Thur) Théâtre des Champs Elysées (47203637).

Brussels

I Fiamminghi Ensemble conducted by Rudolf Werthen with Eric Dequeker (flute) and France *Springuel (cello)*. Devienne, Haydn, Puccini, Shostakovich (Sat). Cercle Royal Gaulois.
Nikita Magaloff (piano) playing Mendelssohn, Scriabin and *Schubert* (Thur). Palais des Beaux-Arts.

Berlin

Berlin Philharmonic conducted *by Seiji Ozawa plays works by* Stravinsky, Bach and Bruckner (Fri, Sat). Philharmonie.

Frankfurt

Alte Oper. Farewell concert for music director Eliahu Inbal with three radio choirs and singers *Paul Frey*, William Pell, Walton Groenroos, Hans Franzen, Elisabeth Connell and Margarita Zimmermann in Schoenberg's *Gurre-lieder* (Fri).

Cologne

Cherubini Quartet. Mendelssohn, Schumann, Brahms (Fri). A concert with the Greek singer **Georges Mustaki** (Tues). Philharmonie.

Rome

Gabriele Ferro conducts Petrassi's Psalm nine, and Stravinsky's Firebird Suite (Sat-Tues). Auditorium in via Della Conciliazione (6541044).

Milan

Lorin Maazel conducts the Scala Philharmonic playing Cesar Franck, Messiaen and Roussel. Teatro alla Scala (80.91.26).
Maria Joao Pires and Huseyn Sermet play Schubert, Schumann and Ravel (Wed) (76001755). Conservatorio G. Verdi.

Madrid

Sinshei Orchestra of Japan conducted by Shiseo Genda, Shizukaishikawa (violin), Keiko Abe (marimba). Martinez Fontana, Takemitsu, Toyama Ishii, Ifukube (Fri). Auditorio Nacional de Musica (337 01 00).
Vladimir Orchinikov (piano). Prokofiev, Rachmaninov, Tchaikovsky (Fri). Auditorio Nacional de Musica (337 01 00).
Belgian Chamber Orchestra with Rudolph Werthen, conductor and first violin. France Springuel *(cello). Boccherini, Haydn*, Vivaldi (Wed). Auditorio Nacional de Musica (337 01 00).
Ensemble Erwartung. Milhaud, Guerrere, Thomassin, Marchand, Tisne (Wed). Auditorio Nacional de Musica (337 01 00).
Oslo Philharmonic Orchestra conducted by Mariss Jansons. Stravinsky, Shostakovich (Thur). Auditorio Nacional de Musica (337 01 00).

Barcelona

Max van Egmond (baritone), Jacques Ogg (pianoforte, clavichord). Frescobaldi, Caccini, Huygens, Purcell, Handel, *Haydn*, Schubert (Wed). *Fundacion* Caja de Pensiones (317 57 57).

New York

New York Philharmonic conducted by Erich Leinsdorf. Strauss, Schumann, Bizet (Tue); Mahler (Thur). Avery Fisher Hall, *Lincoln Center* (874 6770).
Manhattan Philharmonic conducted by Doreen Rao with the International Children's Choirs. Oscar Peterson, Fauré, Debussy, Pergolesi, Copland, Vaughan Williams (Tue). Carnegie Hall (247 7800).

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich. Glinka, Deak, Makris, Doppler, Gould (Thur). Kennedy Center Concert Hall (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Michael Morgan with Joshua Bell (violin), Steven Isserlis (cello), Jeffrey Kahane (piano). Haydn, Beethoven, Crumb, Falla (Tue). Klaus Tennstedt conducting with Ray Still (oboe). Mozart, Strauss (Thur). Orchestra Hall (435 6666).

Tokyo

Paco de Lucia Trio. Orchard Hall *(Mon, Tues)* (235 1661).
Maxim Vengerov (violin), with Irina Vinogradava (piano). Bach, Beethoven, Paganini, Schubert. Suntory Hall (Tues) (235 1661).
Cleveland Symphony Orchestra, conducted by Christoph von Dohnanyi. Mahler's 9th Symphony (Wed). Mendelssohn, Berlioz (Thur). Orchard Hall (289 9999).

OPERA AND BALLET

London

Royal Opera, Covent Garden. Simon Rattle makes a belated debut conducting the new production by Bill Bryden of Janáček's *Cunning Little Vixen*. Thomas Allen, Lillian Watson, Diana Montague, Robert Tear, and Gwynne Howell head the large cast. Final performances of the unhappy *Trovatore* revival, with Carol Vaness, Eva Randova, Alexey Steblyanko, and Sergey Leiferkus in leading roles; Sian Edwards conducts.
Royal Ballet, Covent Garden. Revival of *Romeo and Juliet* (Fri and Mon).
English National Opera, Coliseum. End of the ENO season: one performance each of Robin Holloway's *Clarissa* and *The Marriage of Figaro*.
The premiere of Holloway's *Clarissa* (based on Richardson's novel) reveals a score of ravishing and fascinating richness at the service of an unevenly plotted libretto. Conducted by Oliver Knussen, produced by David Pountney, with Vivian Tierney, Graeme Matheson-Bruce, Rosa Mannion, Jill Pert, and Justin Lavender in leading roles. *The Marriage of Figaro*, in Jonathan Miller's production, brings back Valerie Masterson, Lesley Garrett, and Ethna Robinson as ENO Mozartians, and introduces Steven Page's Count and Gregory Yurisich's Figaro (836 3161).

Paris

Paris Opéra. *Jeunes danseurs de l'Opéra*. Extracts from romantic period ballets (47425371).
Théâtre de la Ville. Pina Bausch and Wuppertal's Tanztheater. *Nelken* (carnations) begins with a magnificent field of 9,000 carnations which are, at the end of the evening, trodden down. (42742277).

Antwerp

Koninklijke Vlaamse Opera. The Royal Flanders opera in Bartok's *Duke Bluebeard's Castle (concert version)*, conducted by Rudolf Werthen with Klara Takacs, Kolos Kovats and Nolle Versijp (Tues).
Koninklijke Vlaamse Opera. Royal Flanders Ballet in *Camelot* (Fri, Sat, Sun).

Liège

Théâtre Royal. The Royal Wallonia opera in André Messager's *Fortunio*, conducted by Robert Bleser staged by Jean-Paul Lucet.

Berlin

Opera. *Die Zauberflöte* is a capable repertoire performance, conducted by Christof Prick. *Die Walküre*, part of the successful Götz Friedrich Ring cycle with Wagner specialists Karan Armstrong, Deborah Polaski, Hanna Schwarz, Matti Salminen and Robert Hale. *Aida* has a strong cast led by Bruna Baglioni, Sharon Sweet, Giorgio Lamberti and Ingvar Wixell. Further offered are Hans Werner Henze's opera *Das verratene Meer*, *Der Barbier von Sevilla* and the ballet *Cinderella*.

Frankfurt

Alte Oper. Schoenberg's rarely played *Moses und Aron*, in a concert version, is sung by Gerhard Faulstich and William Cochran.

Cologne

Opera. *The Turn of the Screw* will be sung in English. This week's highlight *Tristan and Isolde* stars Gabriele Schnaut, and Spas Wenkoff, conducted by Ralf Weikert. *La traviata* and the two one act operas by Rossini *La Cambiale di Matrimonio/Signor Bruschino* complete the week.

Bonn

Opera. The lively *Barbier von Sevilla* production is well sung/ by Frank Lopardo, Susanne Mentzer, Gino Quilico and Jean Philippe Courtis. *Das Rheingold* is expertly conducted by Bonn's musical director Dennis Russell Davies with Siegmund Nimsgern, Graham Clark, Hermann Becht and Hanna Schwarz. *Die Fledermaus* is sung by Ludwig Baumann, Pamela Coburn, Claudia Rueggeberg and Krisztina Laki.

Stuttgart

Opera. Henze's *Die Bassariden* features Karan Armstrong, Marcela Holzapfel, Ortrun Wenkel and Kenneth Riegel, brilliant in the leading parts. *Der Freischütz* in Achim Freyer's production returns. Also in repertory: *La Cenerentola, der Karottenkonig* and a Tomoko Nakamura Lieder recital. Tenor Placido Domingo appears as Cavaradossi in *Tosca*, with Mara Zampieri in the title role and Ingvar Wixell as Scarpia.

Barcelona

Gran Teatre del Liceu. Uwe Mund conducts Verdi's *Simon Boccanegra*, featuring Piero Cappuccilli, Anna Tomowa-Sintow and Jaime Aragall. Ends June 12 (318 92 77).

Milan

Teatro alla Scala. Keita Asari's production of *Madama Butterfly*, designed by Ichiro Takada with dances performed by Hideju Kanzaki, conducted by Gianandrea Gavazzeni (80.91.26).
Teatro Lirico. A new work by the Piedmontese composer Azio Corghi, based on a recent novel by Jose Saramago, set against a dramatic background of religious persecutions in 18th century Portugal. Cast includes Katia Lytting, Martha Szyrmay, Jean-Philippe Lamont (86.64.18).

Rome

Teatro dell'Opera. Verdi's *Luisa Miller* conducted by Roberto Abbado, with Paolo Coni, Aprile Millo and Alberto Cupido. Also the Kirov Ballet in Oleg Vinogradov's version of *Swan Lake* (46.17.55).

Florence

Maggio Musicale. Teatro della Pergola. Giulio Chazalettes's *production* of Donizetti's *Parisina*, based on Byron's poem of the same name. Bruno Bartoletti conducts an excellent cast led by Mariella Devia, Giorgio Zancanaro *and* Dano Raffanti. The opera is given in its full length version (2779236).

Bologna

Teatro Comunale. Giancarlo Cobelli's production of Verdi's *Rigoletto*, conducted by Daniele Gatti, with June Anderson, Vincenzo la Scola and Leo Nucci (529999).

New York

American Ballet Theatre. The 50th anniversary season includes an all Twyla Tharp evening and the local premiere of her *Brief Fling* set to music by Michel Colombier and Percy Grainger. Season ends June 30. Opera House at Lincoln Center (362 6000).

Washington

Alvin Ailey American Dance Theatre. The mixed repertory, based heavily on gospel and choreography reminiscent of the golden age of American musicals, remains fresh with a new generation of dancers. Ends June 4. Kennedy Center Opera House.

Tokyo

Leningrad State Ballet Theatre. *The Idiot, Twelfth Night* (Tues, Wed). *Pinocchio* (Thur). Tokyo Bunka Kaikan (235 1661).

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).
Jeffrey Bernard is Unwell (Apollo). Tom Conti is the alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing, Ned Sherrin directs (437 2663).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).
Bus Stop (Lyric). Glam revival of William Inge's 1955 Kansas comedy, with *Jerry Hall* making her West End debut as the tank-town "chantoose" to Shaun Cassidy's Montana cowboy, a partnership forged on Broadway by Marilyn Monroe and Don Murray. Plenty of glow but not much *grit* (437 3686).
Shadowlands (Queen's). Four-tissue weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes both Nigel Hawthorne and Jane Lapotaire into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb (734 1166/439 3849).

Stuttgart

Makal City Theatre, Marienstr. 12. Peter Makal, director of the Stuttgart-based International Festival of Mime, now in its eighth year, has put together a truly world-class programme. Founder of the Makal Theatre, he will present a dozen specialist groups and artists from eight countries, includingthe Soviet Union, East Germany and Hungary as well as Chile, Australia, France and the US. Ends June 4 (0711/626208).

New York

Cat on a Hot Tin Roof (Eugene O'Neill). Kathleen Turner, whose statuesque good looks embody Tennessee *Williams' vibrant* character Maggie, is surrounded by an excellent supporting cast in Howard Davies' impressive production.
Grapes of Wrath (Cort). The Steppenwolf company's interpretation of the Steinbeck epic novel has taken a long time to reach New York from Chicago; the wait was worth it, with the 1930s brought alive in its squalour as well as its test of human strength. Gary Sinise as Tom Joad stands out in Frank Galati's adaptation.
Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).
Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who *shamelessly* leads her daughter into burlesque while unreservedly rejecting a personal life for herself (246 0102).
Grand Hotel *(Martin Beck)*. Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this *inert depiction of* lives crisscrossing in an elegant, but at the end of the day somewhat random setting (246 0102).
Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of London's Fleet Street (239 6200).
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including *On the Town, West Side Story* and *Gypsy*. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents and imagination that inspired the heyday of the musical.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway *lessons in pageantry and drama* from the French Revolution (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies and moody drama in this mega-transfer from London (239 6200).

Chicago

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).
Fraternity (Pegasus Players). Jeff Stetson's political drama focuses on the civil rights movement of the 1960s and 1970s to explore issues of principle and compromise. *Ends June 3* (271 2638).

Tokyo

Peer Gynt (in Japanese). Japan's most famous director, Yukio Ninagawa, best known for his samurai Macbeth and noh Tempest, tackles Ibsen's "unstageable" masterpiece, with a cast headed by a popular young rock singer. The production is fun, although the play's ironies are undoubtedly lost on the largely teenage *audience. Aoyama Theatre* (201 7777).

Maly Theatre, Moscow. Chekhov's *The Wood Demon* is one of the author's early works, that was later reworked as Uncle Vanya. Performed in Russian. Seinenkan Theatre. (Thur) (235 1661).
Noh. *Kakitsubata (The Irises)*. A seasonal piece that concludes with a dance for the spirit of the irises. Hosho Noh Theatre. (Thur) (811 4843).

The connoisseurship of Consul Smith

"The Merchant of Venice" was how Horace Walpole rather disparagingly dubbed Joseph Smith. The merchant banker, publisher, all-purpose agent and sometime British Consul to the Serenissima was also the architect of the most spectacular collection of contemporary Venetian art in the 18th century. Thanks to its purchase by George III in 1762, the Royal Collection was transformed. Via Smith came an incomparable collection of Canalettos, and a cache of magnificent Old Masters, including arguably the most famous painting now in the Queen's Collection, Vermeer's "Lady at the Virginals," and a host of Rembrandts and Giovanni Bellinis.

It is as a picture collector that Consul Smith is remembered, but his connoisseurship embraced gems, coins, cameos, engravings, books, illuminated manuscripts, and drawings. The latter are now the focus of an exhibition on loan from the Royal Library which opened in Frankfurt last year, travelled to Fort Worth and Richmond, Virginia, and makes it only UK stop at the National Gallery of Scotland in Edinburgh, before being repatriated, temporarily at least, at the Cini Foundation in Venice on September 15.

The 60 or so sheets on show reflect the two aspects of Smith's collection: the contemporary Venetian, and the Old Masters. The bulk of the earlier works had been acquired from the heirs of the great Venetian collector Zaccaria Sagredo, who in turn had bought from the Bonfiglioli family in Bologna. Four volumes of drawings by Castiglione – which still constitute the finest holding of the artist's graphic work in the world – and sheets by Raphael, the Carracci, and Guido Reni.

The show is a marvellous excuse to see some of the finest – and freshest – drawings in the Royal Library. It also offers Frances Vivian the opportunity to publish much of her research on Consul Smith in English for the first time. The selection attempts to reveal as much as it can of the character of the still shadowy figure.

A Marco Ricci pen and ink caricature depicts the spaghetti-thin Farinelli, the most famous castrato of all time, for whom, like Canaletto, Smith acted as agent. Another shows the porcine "Il Senesino" on stage with Faustina Bordoni, a reflection of both the artist and the collector's passion for the theatre and opera. Indeed, in 1717, Smith had married the silver-tongued diva Mrs Catherine Tofts.

Drawings by Antonio Visentini allude to the Consul's life-long interest in publishing and book dealing. Visentini was the principal illustrator for Smith's Pasquali Press. The best of the drawings are one of the illuminated title pages that he designed for each of Smith's volumes of drawings, and a series of topographical views of his patron's villa at Mogliano.

But Smith's most eloquent testimonial are the drawings that represent the reams of sheets acquired through his friendship with Canaletto, Marco Ricci and his uncle, Sebastiano Ricci. Canaletto and the Consul entered into a mutually advantageous arrangement whereby the majority of the artist's work was handled by Smith, who used his palazzo as a sort of private gallery. It was Smith who negociated most of the artist's many commissions from English Grand Tourists. He may also have made the inspired suggestion that the artist try his hand at etching, for all these prints are dedicated to the agent.

Here, Canaletto shows himself to be a consummate draughtsman. Great hatched lines of varying weight, and calligraphic squiggles, conjure up the piazza of S. Marco from the south corner of the basilica. In a long, low view of the island of S. Elena, broad ink washes catch the shimmering light and heavy heat of the lagoon. Different again are the more nervous touches, and use of the brilliant white paper, of an architectural capriccio.

One of the best surviving drawings by Raphael: "Massacre of the Innocents" (detail)

A number of drawings on show relate to the numerous paintings which Smith himself commissioned. His collection was unparalleled in having both paintings and preparatory drawings. More usually connoisseurs focused on one or the other.

Marco Ricci's mastery of atmospheric effect, lyrical or dramatic, is all apparent in drawings used for paintings now in the Royal Collection. Note the slashing rain, creaking trees and eerie light of "Herds terrified by a Storm." But it is the sheets by Sebastiano Ricci which dazzle the spectator here. Until the exhibition, some 211 drawings revealing his remarkable range and virtuosity were still housed in a folio album. A selection from these are on display in public for the first time and rarely, if ever, has one seen such near-pristine freshness in Old Master drawings. The tonal range of the washes is breathtaking; the intensity of the coloured chalks almost dazzling.

The treat continues in the gallery with the earlier masters. Here is one of the best surviving drawings by Raphael, made for a Marcantonio print of the Massacre of the Innocents. A delicate Parmigianino finds itself incorporated into what looks like an altarpiece sketch by Ludovico Carracci.

As a spectacular finale we are presented with a wall of bravura oil sketches by the incomparable G.B. Castiglione. In his will, Smith refers to them as "the most capital of his Performance." The artist is as idiosyncratic as he is remarkable. His fluid line comes from the tip of a brush charged with oil and pigment. There are no pencil lines to guide him, no means of correcting mistakes, even had he made any.

In Deucalion and Pyrrha, the composition of figures rise up to a pyramidal crescendo – the focus, the fine, vigorous profile of Deucalion. Even more Baroque, emotive and ecstatic, is the magnificent Christ on the Cross with angels and a host of mourning figures. Castiglione's line here is lighter but deft, his touches perfectly placed – like the slash of crimson on Christ's brow.

The exhibition, sponsored by Dundas & Wilson, continues at the National Gallery of Scotland until July 15.

Susan Moore

Sir Courtly Nice

YOUNG VIC STUDIO

Stuffed with lovers' intrigues, and with Restoration caricature, *Sir Courtly Nice* – commissioned by King Charles II from John Crowne, his Poet Laureate – makes a bright and busy return to the stage, after over 200 years. Like numberless plays from Plautus to Beaumarchais, its plot centres on a young lady's plan to evade a vigilant guardian and to marry where her heart lies. But this tight little world of personal plotting has its windows wide open onto the large fermenting world outside – the world that had, in Christopher Hill's phrase, "turned upside down" in living memory.

The play was written in 1685, at the end of Good King Charles's golden days, and, tellingly, it features two characters who maintain a running battle between Papist and Protestant fanaticism. More modern, and more centrally to the plot, the play has no sooner begun than its characters launch a lively debate on the status of women and on women's liberty. A woman is, variously, called a whore, a slave, an incitement to lunacy and – in one woman's memorable image – a vine that will outgrow any garden.

Women drive men to several extremes here: true love, foppish choosiness, unfeeling censoriousness, hypocritical profanity, insensate desire. One man equates love with lust: "The word Love is a fig-leaf." Another, overcome by horniness departs in pursuit: "Now shall I steal after her, for I do feel in me a very great uproar." The writing, wit, characterisation and situations of this play are all vivid. One of our leading companies should take it up.

In the meantime, the Magnificent Theatre Company will do well enough. Under Richard Tate's direction, the tempo is fast and natural. The play is neither forced nor nudged along. The tiny stage area seldom cramps matters, and Matthew Line's simple, striking set – a baroque facade that parts to show a small interior – gives context without fuss.

There is some sense of period manner – more than in the National's current *School for Scandal*, where Maria's body-language on arrival mistakenly shows not only impropriety but also abandon – but in varying degrees. The women keep *using* their fans, and busily. The trick, as has been remarked of Edith Evans, is to wield a fan wittily without opening it once.

Alastair Macaulay

My Sister Next Door

LATCHMERE THEATRE

When Anna Barry enters in Act Two of the one-woman show, *My Sister Next Door*, the audience takes several moments to adjust. In Act One she'd been the slovenly and sluttish blonde Anthea. In Act Two, she's Anthea's dark, prim, spruce sister, Gwen, in the adjoining room. *My Sister Next Door*, part of the Latchmere Theatre's current season of plays by Michael Burrell, takes the old Mary-Martha contrast to an extreme.

The sisters live in the house they co-own and share the local Derbyshire accent. Each has a 40-minute monologue: rather *Talking Heads*, rather Kitty on the old Victoria Wood show. Anthea – in pink – never tidies up, keeps eating one sweet too many, and vaguely sprinkles talc over her cleavage, while she reminisces over her dance training ("At ADA, the very celebrated dance-school in Deptford"), her old criminal boy-friends (and their motto, "It's not what you know, it's how long what you know could put them away for") and her appearance in a musical about Bertrand Russell.

Gwen, Thatcher-like in blue, is proud to say: "I was the youngest clerk at the Belper & Nelson Building Society to have a till to herself. It's a record that still hasn't been broken." She is inclined to keep both legs and hands crossed. The sisters have entered middle-age and are, with very dissimilar pasts, unmarried.

As you watch, you can take pleasure both in the exactness of Barry's versatility and in the lines Burrell has given the sisters. In passing, Amanda talks of an old advertisement, "How to Cure Your Lisp in Six Easy Lessons – By Post," while Gwen, amid a paragraph about teeth, remarks of one woman: "Nougat was her Waterloo." Burrell (who has directed) and Barry share a talent for satire.

But *My Sister Next Door* is nearer to being good TV humour than to being a play. It doesn't sustain an illusion firmly enough. The less comic realities of the sisters' situation are sketched in, but with less success. We cannot, for example, believe seriously in the dizzy blonde pushover Anthea's meant to be, because her lines and her manner are several degrees too acute.

It is better just to enjoy the way Burrell keeps things simmering with strings of satirical paragraphs – as in Gwen's proposed bus-trip through Shakespeariana, "winding up in Stratford with a performance by the Shakespeare Actors in an African play at the Other Place – so-called, I suppose, to distinguish it from the Place . . . wherever that might be."

Alastair Macaulay

Henry IV

WYNDHAM'S THEATRE

After the recent travesty at the Glasgow Citizens', a theatre long accustomed to using classics as a peg on which to drape the swishes and swags of a suburban dowager's-eye view of design, here comes a sober, straightforward production of Pirandello's cat's cradle of fantasy and reality, identity and time.

The characters are clearly delineated, the relationships carefully observed. And for all its conventionality (even to keeping the 1920s setting of the original), Val May's production has its theatrical moments: echoing sound effects, dramatically dimming lights, the clash of the falling portcullis, as ominous as the sound of the guillotine in *Les Liaisons Dangereuses*, that seals the feigned madman, his bluff called, into his make-believe medieval masquerade for ever.

As the man whose imperial delusion sprang from an accident during a historical pageant 20 years before, Richard Harris makes a fey lunatic. In Glasgow Greg Hicks gave us Ophelia in drag. Harris gives us Ophelia *and* Hamlet, not least when finding echoes of that play in the translation by John Wardle and Robert Rietty, both in his dismissive "words, words, words" and commenting that his enemy's offence is rank to heaven.

He plays with the others as Hamlet plays in his pretend-madness, now on, now off. "It must be for real, otherwise reality is a joke," he claims of his assumed insanity incidentally voicing the actor's creed.

The most striking moment comes when the mock emperor in his stringy blond wig, powdered cheeks patched with red, covers his face with his hood, rubs it, and slowly raises it to reveal an old man's face, *sans* rouge, *sans* wig, *sans* everything but a great weariness. "I'm so bloody bored with all of this," he says, admitting his long-concealed sanity with more dramatic effect than I have seen before.

Thereafter Mr Harris prowls the stage, an impressive presence with a dangerous unpredictability that above and beyond with the part he is playing.

Tim Goodchild's sets have the slightly specious drama of, say, an Annigoni painting (vividly recalled in the two crucial portraits that dominate the throne-room); but suit the production. The roles of the young people – the madman's long-suffering nephew and the Marchesa's subdued daughter who eventually rebels – have been curtailed, and the Marchesa herself made much more sympathetic than the ravaged valkyrie (Pirandello's description) warrants.

The intelligent Isla Blair should be allowed greater scope in this part. As her lover, the clownish fop whose malice triggered the disaster so many ears before, Ian Hogg yields the palm to Glasgow's Giles Havergal despite being a more convincing paramour for the Marchesa.

Mr Harris, incidentally, was originally announced for the Glasgow production. The present version sets his performance off better, and for all its apparent unadventuresness shows a surer grasp of what the play is about.

Martin Hoyle

The Turning World: Schlömer and Vandekeybus

THE PLACE

Two modern-dance events last week in The Place's current season of international choreography, The Turning World, struck me as the best news in European Modern Dance for a very long time.

Joachim Schlömer makes real dances. This is rarer in Continental Europe than you might believe. Schlömer – who has been choreographing since 1984, but who only formed his Company Josch this year – is one of the emerging European members of Mark Morris's Monnaie Dance Group in Brussels. His dances say something that almost no Continental choreographer has bothered with for decades: "Look at my dancers: how good they are, what they can do." Even within single phrases, the dancing combines fast and slow, up and down, small and large, staccato and legato, gesture and rhythm. Sometimes what the dancers are doing looks absurd, but this is always offset by the sure sense of overall system. The result is highly expressive.

His programme presented five works. *Weg* and *Shoulder to Shoulder* are each for three men and three women. *Weg*, to Messiaen music, is a fine introduction to the unusual rigour of Schlömer's style. Every body part is very precisely controlled. Thorax and thigh keep a strikingly sculptured firmness, and the sureness of rhythm keeps that lively. This style has weight, tension, variety. In *Weg* it moves from dancers pedalling along the floor on their backs to quick air turns. *Shoulder to Shoulder*, to Test Department music, has march-like steps, machine rhythms, and drumming fists. It suggests a rock vision of totalitarianism.

I'm haunted most by the poetic strangeness of two solos. In *Les Etoiles*, danced to more Messiaen music, Doris Lamatsch showed the intense contrasts of Schlömer's style within the narrowest means. In a green velvet calf-length dress, her legwork always intently parallel, she stood on one leg or two or she paced, tipping, arching or gesticulating the while. In one passage, her feet, torso and hands, moved in three different speeds; the third, and final section was all rooted to the spot, her back to the audience. Through all the exact detail, there emerged a constant fixity of purpose, dreamlike absorption in her own action and the surrounding space, and a sense of being free from time.

In *Es Sang Vor Langen Jahren*, Schlömer danced himself to vocal music by Arvo Pärt. Wearing flesh-coloured underpants and using a pale sheet as a carpet, a toga, a cloak, he wrought a spell by his complete concentration, stretching, bending and pacing, fluttering fingers like wing-tips, etching fine strokes of abstract mime.

The Flemish Whim Vandekeybus showed his first work here last year. He does not call himself a choreographer, and his second work, *Les Porteuses de Mauvaises Nouvelles*, which he has directed for his Ultima Vez Company, has about ten basic moves, none of which should be called steps. He has things to say, but he doesn't hurl them at us, he lets them excite and amuse as he keeps playing with them, and he does so with exceptional authority. *Les Porteuses* proceeds like a series of games; board games; party games; solitaire games; playground games; field games; wrestling games. All of them prove expressive and surprising.

Vandekeybus entertains every which way. A game is for one, for a group, for male-female couples, for either-sex couples. The daring falls and catches are as expressive as they are exciting. In one unremarkable passage for couples, these acts – falling, catching, holding – reach their most dramatic. A man drops on to a woman; she holds him away, her parted fingers pressing in to his temples; she holds him to her; she tries to escape from under him, only to tumble him over and hold him in a new clinch. The games people play: a complex picture of human relations has been emerging.

Alastair Macaulay

Janina Fialkowska

PURCELL ROOM

On Wednesday Miss Fialkowska began her three-recital series, in the South Bank's Szymanowski festival, by wrong-footing us rather seriously. She has shuffled her advertised programmes, and instead of hearing Skryabin's Sonata no. 5, Debussy's *Images* II and Szymanowski early and late, we got only early Szymanowski, four of Debussy's *Etudes*, Ravel, different Chopin – and no Skryabin. Unless one counted Szymanowski's op. 4 *Etudes*, which derive unashamedly from Skryabin; and which the pianist delivered with some wit and reasonable polish.

She brought off his op. 10 Theme and Variations with resounding conviction, not to say daunting: for nobody can have warned her that fortissimi on the piano in this hall need rigorous restraint. Hers approached the pain-threshold several times. The suspicion grew that Miss Fialkowska – an early Rubinstein prizewinner whom we know as an artist of delicate imagination, not quite hefty enough for the popular concerti – is aiming for a bigger scale, forcing her tone and diminishing her effects.

Both her Chopin Polonaises, attacked with flair, were unconscionably loud, and sensitive ideas were translated into melodrama. It was bad luck to turn up with a quite creditable clutch of Debussy *etudes* just when Mitsuko Uchida's dazzling accounts have come out on CD. The printed order of "Pour les huit doigts" and "Pour les Quartes" was reversed without warning, in line with the apparent assumption that the audience didn't mind what they were hearing.

In Ravel's *Miroirs*, Miss Fialkowska gave the impression of recycling performances that have frankly gone off. "Oiseaux tristes" had some poise, but "Noctuelles" was fitful and bumpy; the notorious repeated-note cannonades in the "Alborada" never began to come right. Wrong harmonies scattered throughout the cycle sounded more like settled misreadings than passing slips. The encore was Chopin's "Winter Wind" study, hamfisted and inaccurate. This pianist needs to start listening to herself again.

David Murray

Royal Insurance backs the RSC

Royal Insurance is to continue its financial support for the Royal Shakespeare Company. It announced yesterday that it would contribute £2.1m over the three years starting in 1991. This is the largest sum committed by a commercial sponsor to an arts organisation. Over the last three years RI has given the RSC £1.1m, which was covenanted up to £1.4m.

The insurance company has received substantial media coverage, from mentions on the floor of the House of Commons to its logo on 4m items of print, from the connection, as well as hospitality opportunities. Its group chief executive Ian Rushton has become the spokesman for arts sponsors.

The money by itself will not enable the RSC to cancel its decision to close the Barbican Theatre for four months from November to help clear its debts of £2.4m, but it gives it support in its argument with the Arts Council for more money. The hope is that the chairman of the Council, Mr Peter Palumbo, will persuade the Government to come up with substantial one off grants for all the beleaguered major arts companies, and that this will arrive by September and thus keep the Barbican open this Christmas.

Antony Thorncroft

Birmingham Royal Ballet's inaugural plans

The Big Event for the Royal Ballet in the next twelve months is the opening, on October 30th, of the inaugural season of the Birmingham Royal Ballet (once the Sadler's Wells Royal Ballet) in its new home, the Birmingham Hippodrome. It is including a new one act ballet by David Bintley in the performance.

Eighty five per cent of the SWRB dancers are moving to Birmingham. Also included in the company's plans are new ballets by Oliver Hindle and William Tuckett and the world première of company director Peter Wright's new production of *The Nutcracker*.

Back at Covent Garden the Royal Ballet faces a quiet season. Its planned refurbishments for *Manon* and *Romeo and Juliet* have been postponed to make a saving of £500,000 on the planned deficit. The highlight is another work from Bintley – a three act ballet, *Cyrano*. There are also new works by Kenneth Macmillan and Ashley Page, and the first London performance of Balanchine's *Stravinsky Violin Concerto*.

With both companies losing their musical directors and Covent Garden due to close for modernisation in 1994 the outlook could be rosier. But in the current season the Royal Ballet is dancing to audiences 91 per cent of capacity and morale is rising after last year's industrial dispute. The dancers will be fully employed while the Opera House is closed but whether their temporary home will be the Lyceum; the Theatre Royal Drury Lane; or the new auditorium rising on the South Bank has yet to be decided.

A.T.

ARTS GUIDE

May 25-31

EXHIBITIONS

London

The Tate Gallery. The entire permanent collection has been rehung so that the visitor may now take a natural circuit through the newly restored galleries, from 16th century British painting through to the the most recent of modern international art. It is a curatorial triumph.
The Royal Academy. Modern Masters from the Gelman Collection – a self-explanatory exhibition of masterpieces of the 20th century from Bonnard and earliest Picasso to Picasso the old man, by way of all the great names of the School of Paris, *Matisse, Modigliani* and the rest. It is a true celebration not of mere art history but of the joy to be had in the possession of great art. Until July 15; sponsored by Guinness.

Paris

Carte musées et monuments sold in museums and metro stationsenable visitors to avoid queues at 60 museums and monuments,including the Louvre, Musée d'Orsay and Versailles.
Galerie Schmit. French masters of the 19th and 20th century.For the 25th anniversary of his yearly exhibitions RobertSchmit has assembled an impressive collection ofpaintings. There are works by Pissarro, Degas, Delacroix, Cezanne, Gauguin, Manet, Monet, Renoir and Picasso. 396, rue Saint-Honoré, closed Sundays and lunchtime, ends July 18 (42603636).
Galerie Odermatt-Cazeau. 19th and 20th Century Masters.A thread of excellence runs through the exhibition, which begins with the impressionists and ends with an abstract Picabia. Monet's Charing Cross Bridge floats in a haze of pinks and blues. The realism and heavy pathos of an early Toulouse Lautrec – Le Buveur – is in contrast to his Jane Avril, expressive of his mature period. Ends July 28 (42669258).
Musée Carnavalet. Antique bronzes. Some 400 statuettes bring to life the Gallo-Roman world up to the 5th century. They are grouped in glass cases around a divinity surrounded by objects of the appropriate cult. Closed Mon, ends July 1 (42722113).
Musée d'art Moderne de la Ville de Paris. Kees Van Dongen. 132 works retrace the career of the painter who, as one of the *Fauves*, enjoys provoking the public with daring juxtapositions of violent colours, charcoal contours and green shadows. The Dutch-born artist goes further and shocks with erotic subjects and poses, only to subside later into portraiture of the elegant and famous. 11, Ave President Wilson, Closed Mon, late closing Wed. Ends June 17 (47236127).

Brussels

Hotel Communal de Schaerbeek, Place Colignon – treasures of the commune. Works by Constantin Meunier, Jef Lambeaux and other Brussels artists of the 19th and 20th centuries, daily except holidays. Ends June 11.
Musée Wellington-Waterloo. Inedits sur Waterloo commemorates the 175th anniversary of the Battle of Waterloo. Daily ends July 31.

Ghent

Museum voor Schone Kunsten. Flemish Expressionism in a European Context (1900-1930) with works by De Smet, Ernst, Permeke, Van den Berghe and Zadkine. Closed Monday, ends June 10.

Antwerp

Anthony Caro: monumental sculptures. Huis Osterrieth, 85 meir. Closed Sun, ends June 22.
Rembrandt Bugatti and Belgian Animal sculpture (1860-1930) closed Monday ends July 29. Hessenhuis, 53 Falconrui.

Rome

Palazzo Venezia: Art for Popes and Princes of the 17th and 18th centuries. Over 70 large and exuberant canvases from the country seats of popes, cardinals and the Roman aristocracy (Chigi, Barberini, Colonna, Pamphili etc) in the area stretching south of Rome, once known as the Campagna Romana. Not surprisingly, most of the subjects are religious, but varying from the limpid and meticulous account by Van Wittel, of Pope Clement XI's visit to Albano to the splendid rest on the flight into Egypt by the Venetian Carlo Saraceni.

Galleria Nazionale d'Arte Moderna. Fabrizio Clerici retrospective: in a labyrinth designed by the artist himself and built in the gallery's workshops are hung a series of exquisite drawings and paintings, which move from a group of baroque drawings of Naples, inspired by a childhood visit, to intricate metaphysical works in pastel shades which manage to be simultaneously restful andstimulating.

Bologna

Galleria d'arte Moderna. Giorgio Morandi retrospective. Over 200works lent by Italian and foreign museums celebrating the centenary of the painter's birth. Limiting himself almost entirely to still-lifes and landscapes inspired by the countryside around his native Bologna, Morandi has been described as the painter of silence. Ends Sept 2nd.

Munich

Kunsthalle der Hypo-Kultur-Stiftung, Theatinerstr. 15.Joan Miro a collection of scurrilous sculptures and previously unpublished drawings by Miro will be on display in Munich's Kunsthalle until June 17. There are about 130 examples of the work of the Spanish surrealist artist, who died in 1983 at the age of 90.

Vienna

Museum für Volkerkunde has a marvellously exotic exhibition called Jemen, focusing on the world around the Queen of Sheba. Ends June 10.

Madrid

Museo del Prado. Sanchez Coello (1531-1588). Some 50 paintings by this Spanish artist born in Valencia, predecessor of Velazquez. Mostly portraits painted in the court of Phillip II as well as some religious works. Ends June 30.
Academia de Bellas Artes de San Fernando. Marc Chagall. Covers the period betwen 1951-1964 focusing on Chagall's graphic production and includes 60 lithographs and 40 etchings illustrating texts by Andre Malraux and Louis Aragon. Ends June 2.

New York

New York Public Library. More than 125 documents of the Abolitionist Movement, including photographs, letters and rare books, display the spirit and drive of the long effort to free the slaves. Ends Sept 15.
Museum of Modern Art. The first retrospective in America in 25 years marks the 80th birthday of Francis Bacon with 60 works dating back to his figure studies of the 1940s. Ends Aug 28.
Metropolitan Museum of Art: The Russian Taste for French painting, representing three centuries of French masterpieces from the Hermitage and Pushkin Museums, covers Poussin to Matisse. Among the 51 works are major paintings by Watteau, Fragonard, Ingres, Manet, Renoir, Gauguin and Henri Rousseau. Ends July 29

Washington

National Gallery. A joint Soviet-American collaboration brings together Matisse's fruitful and arguably pivotal work in Morocco during his visit in 1912-13 including 23 paintings and 45 drawings, among them the famous Moroccan Triptych from the Pushkin Museum, never before exhibited in America. Ends June 3.

Chicago

Chicago Historical Society. The Land of Lincoln does its most famous citizen proud in the exhibition A House Divided. America in the Age of Lincoln, with documents, mementos and personal effects of the Great Emancipator.
Chicago Historical Society. A special exhibit of Frank Lloyd Wright's designs for art-glass windows, furniture and silver shows why the details completed the Wright look. Ends June 17.
Art Institute. Before going to the Royal Academy in London later in the year, Chicago gets to see Monet's series paintings, including Haystacks, Poplars and Rouen Cathedral, all from the 1890s. Ends August 12.

Tokyo

Sogetsu Gallery & Hall. Yoko Ono. Her first exhibition in Tokyo in more than two decades: mainly sculptures and works in paper. Twenty of her films are also being shown.
Teien Museum. Mezzotints by Japanese artist Yozo Hamaguchi: mainly still life subjects. The museum is housed in a superb art deco building and has a fine garden. Ends June 3.
National Museum of Modern Art and Crafts. Van de Velde: furniture, architectural plans, pottery, silverware and photographs by the Belgian Art Nouveau designer. Closed Mondays.

SALEROOM

Sotheby's experiment in devoting an auction to 20th century British sculpture paid off handsomely yesterday afternoon. The star performer was Elizabeth Frink. "Horse," a bronze 86 inches high and 101 inches long, sold for £110,000, double its estimate and a record for the sculptor. It was one of an edition of three commissioned in 1980 by the Earl of March to decorate the new Goodwood Racecourse. Four other works by Frink sold for £40,000 or more.

Another sculptor to set a new auction high was Lynn Chadwick. "Two watchers V," once known as "Man and Woman," made £104,500. A small "Standing Figure No.3" by Henry Moore just beat its estimate at £61,600

A.T.

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Democracy in deficit

HOW DO you vote for, or against, a market economy if you do not know what it is? Yet that is what the Soviet people are being invited to do, in order to give the Government some vestige of the popular authority it craves for introducing a move to regulated capitalism. The move painfully highlights the most striking deficit in the fifth year After Gorbachev: that in democracy.

First, as referendum-constructors the world over will know, everything is in the form of the question. At its most cynical, the issue could be put as inviting an assent for all that is good and for leaving behind everything known to be awful. Only if the Soviet people were offered, with their ballot papers, a dispassionate description of what their government hoped to achieve, together with what they feared might not be achieved, could an informed decision be made.

Even so – and even allowing for the fact that there is a discussion in the press of alternatives, notably in the advocacy by the trade unions of retention of most of the features of the present system – the choice would be a leap in the dark. A "yes" to the market would prove nothing very much, except that the present is a nightmare, from which everyone wants to escape: it might make matters worse, by deepening popular cynicism

Second and more importantly, a "no" vote would deprive the government and the Presidency of legitimacy. Mr Yuri Maslyukov, first deputy Prime Minister and head of the State Planning Committee, has said that "we (the Government) will say goodbye" if the proposition is defeated. But what would President Mikhail Gorbachev say? "Hello, I have another plan."

Rough justice

The proposal to switch to market relations, though formally issuing from the Government, has been developed by the Presidential Council: it was that body which overturned the previous plan to stick to the command economy. It would be the roughest of justice, and the most transparent of dodges, to hang failure round the neck of Mr Nikolai Ryzhkov, the Prime Minister – though his neck has looked vulnerable for the past six months.

This means that the referendum is about the Presidency. In taking so many powers as President, Mr Gorbachev had a choice: to make clear that the focus of power had shifted to his office, and to submit himself to competition from anyone willing to take him on; or to act as an enlightened autocrat, forcing a more liberal economy and political system on to a country which has not yet produced the institutions and the psychology to develop it autonomously.

Compromise

The first would have been preferable. The second might have been acceptable so long as it was evident that Mr Gorbachev's liberalism has not gone the way of that of previous liberal Tsars: declining through conservatism to reaction. The idea of a referendum is a compromise between a straightforward presidential election and straightforward enforcement of economic liberalism. This compromise is unlikely to please anyone or settle anything.

What we know of the reform itself is promising, especially in the hints of demonopolisation, and the conversion of the enterprises into companies with shareholders (though most of the importance will be in the details, and most of the hopes for success lie in the implementation). But it looks a forlorn hope that the sacrifices will be rendered more palatable by a referendum apparently undertaken as a sop to the unions.

The democratic deficit may be defined as the widening gap between the interests, programmes and intentions of the groups into which Soviet society is dividing and the possibility the people have of expressing their preference for one against the other. Creating a democratic society on Soviet soil is one of the more Augean tasks in world politics. But Mr Gorbachev has gone too far towards it to have any chance of returning to autocratic rule and not far enough to gain popular legitimacy for radical reform. He must move decisively towards creating the institutions of democracy, starting with the Presidency.

Sex equality in pensions

THE days are numbered for company pension schemes which continue to provide discriminatory pensions and other benefits at different ages for male and female members. This is the message to UK employers from the European Court of Justice.

Enshrined in the recent judgment of *Barber v Guardian Royal Exchange Assurance* is the ruling that a pension paid under a contracted-out private occupational scheme falls within Article 119 of the Treaty of Rome. Pensions must comply with the equality requirements of that article in the same manner as pay.

Some pension experts are still debating whether the judgment should be regarded as applying only to the particular circumstances of this case, which involved redundancy rather than retirement. But most are now accepting that the judgment has established the general principle of equality in pension schemes and that other cases before the court will simply confirm this requirement. In the circumstances employers need to look afresh at their company pension arrangements to bring about equality. The previous argument that company schemes should not be required to introduce a common pension age until the state social security system has equalised the state pension age is no longer valid.

The state scheme is not directly affected. However, this judgment surely now imposes on the Government a duty to set out its detailed intentions towards state pensions. It is no longer an acceptable excuse for ministers to suggest that the Government should wait for the third EC directive on pensions equality before acting.

Firm indication

For one thing, many company pension schemes model their pension ages on the example of the state scheme. Employers need a firm indication about the age which the Government intends to select as a common pension age. The age of 63 has been put forward by several bodies as the most suitable, for a variety of reasons. But there has been no reaction from Government.

Second, the judgment highlights the clashes that can occur in practice between occupational and state pension schemes. Equalisation within a company scheme will not remove all inequalities as far as employees are concerned. Women will still qualify for the basic state pension at age 60, and will cease paying National Insurance contributions even if they continue working beyond that age. Most, if not all, of these inconsistencies could be removed if a common state pension age were introduced.

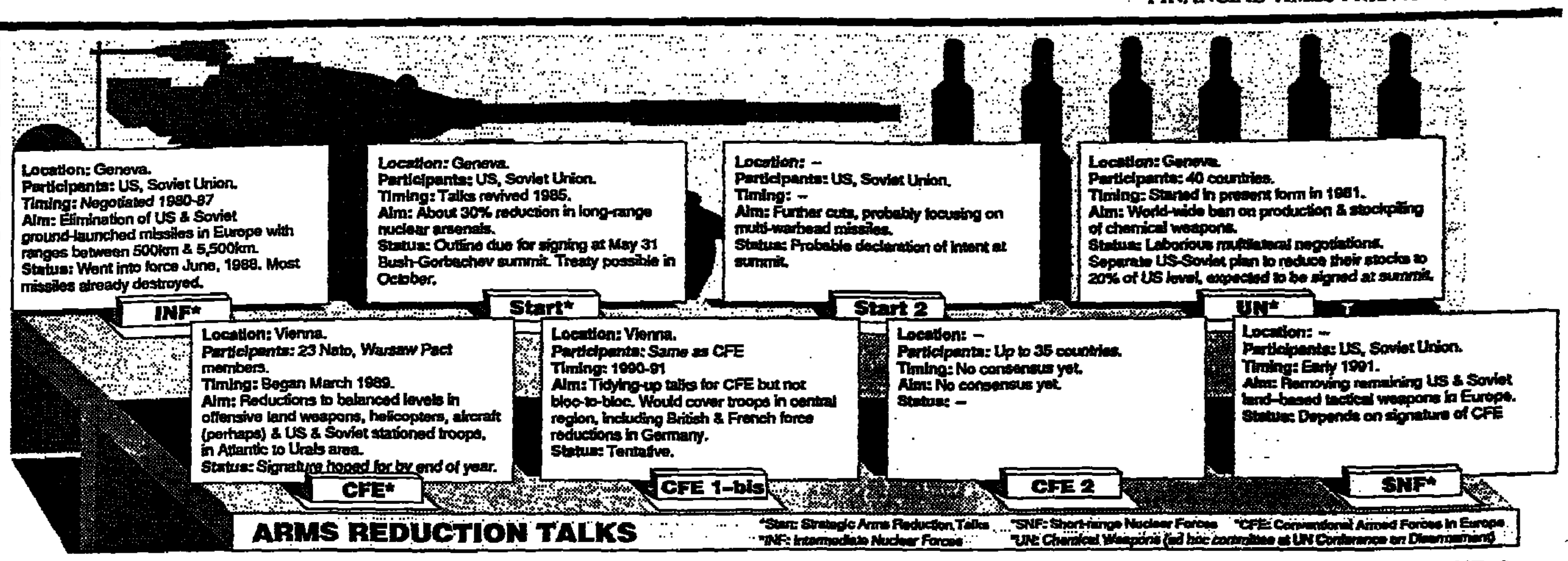
Highly misleading

It is highly misleading for the Government and civil servants to imply that they must stall for several years until the directive becomes operative because of the problems that would otherwise arise. The UK would not be alone among EC members in adapting an existing common pension age to whatever requirements are imposed by the directive.

Finally, there is the question of costs. It could be expensive for employers to equalise benefits in company schemes, particularly if it is held that the judgment gives all existing male employees the right to a full pension at age 60.

The vast majority of company pension schemes are at present financially healthy. However, the Social Security Bill proposes to earmark these schemes' surpluses to pay for pension increases. Employers with company pension schemes have already seen their costs escalate as a result of successive pieces of legislation enacted or imposed. Providentially, these burdens have been offset by the favourable investment conditions of the past decade – and more than offset, to the extent that many companies have been able to take contribution holidays. Yet now these fat years could be coming to an end and employers face the prospect that they will soon need to resume contributions at a higher level than before.

Many employers may be tempted to exercise one of the few free judgments left to them – whether to continue providing a salary-related company pension scheme or to switch to some other form of pension provision where costs are controlled and containable.



Disarmament has been overtaken by East European events, says **David White**

The eclipse of the arms talks

The lustre of the brave new world of negotiated disarmament is wearing off. There is more arms control being discussed or thought about today than ever before, but somehow the whole process seems to have been overtaken by events.

Take tanks. The Soviet tank was always the symbol of oppression in eastern Europe, of the threat of rapidly-massed forces one day pouring into western Europe. A year ago Nato proposed that the Soviets limit themselves to 3,200 tanks outside their own borders. It would be a two-thirds reduction, a momentous difference. But now, the way things are going, the Soviet Union will soon be unable to keep anything like that number in the other countries of eastern Europe – arms treaty or no arms treaty.

Processes that last year seemed ambitious, exciting, rapidly attainable – the first actual cuts in long-range nuclear warheads, the first real prospects of reductions in equipment and manpower after 15 years of frustration in the last Vienna troop talks – have been eclipsed by the scale of what has happened in central Europe.

Arms treaties were to be the instrument of change in the security of this most militarised of continents; now they are following in the wake of change. Wherever the pivot of the transformation is (Berlin?), it is not Vienna or Geneva, where the negotiators sit.

In Vienna, the Conventional Armed Forces in Europe (CFE) talks continue to be based on balancing Nato against a Warsaw Pact that has all but ceased to exist. The Soviet Union, while still a military superpower, has lost its capacity to fight a coalition war.

In Geneva, the Strategic Arms Reduction Talks (Start) now seem a modest reflection of the alteration in East-West relations. The stated aim was to halve the nuclear superpowers' long-range arsenals; because of what is left out and the way some weapons are counted, the expected reductions are more like 20-30 per cent. Many consider these cuts do not measure up to the political moment.

As doubts have begun to surface about the relevance of the talks, the talks themselves have become bogged down. Just as Europe has been moving faster, arms negotiations have slowed down.

Mr James Baker, the US Secretary of State, claimed a breakthrough in Start during his visit to Moscow last weekend, reviving the likelihood that next week's Bush-Gorbachev summit will see the initialling of an outline treaty. But the US thought it had those same sticking points resolved in February. After backtracking by Moscow, it took significant further concessions by the US to recover the momentum.

In conventional arms, western officials are becoming increasingly worried about not getting a treaty including all they want to include by the year's end. They complain of unhelpful recent Soviet proposals and an apparent lack of clear instructions from Moscow.

A range of explanations – not mutually exclusive – has been put forward.

- Growing military clout in Moscow, and deep unease in the armed forces in the face of big cuts and the prospect of losing East Germany to Nato. Marshal Dmitri Yazov, the Soviet Defence Minister, has said explicitly that the military was putting a brake on the Vienna talks. The military is also thought to have insisted on tougher terms in Start.
- A "system overload" in the Soviet administration, with difficulty in dealing with all the negotiations together.
- The German factor. Overriding Soviet preoccupation with the Two plus Four talks on German unification has been shown by a slowdown in recent Soviet unilateral withdrawals from East Germany.
- In Vienna, the increasing difficulty for the Soviets in presenting joint Warsaw Pact positions.
- Difficulty over proposed "sufficiency" rules limiting any one country's holdings with each alliance. If the Soviet Union is effectively on its own, it will suffer a heavy disadvantage.
- "End-game" tactics to win better treaty conditions.

Nato is anxiously awaiting fresh signals from the summit. Mr François Heisbourg, director of the London-based International Institute for Strategic Studies, believes that if the summit does not break the log-jam, "then it truly means the Soviet system is in really deep trouble."

But how much are the treaties worth? One senior western negotiator in Vienna asks the question: "If the Soviets are unwilling to do it, how far should the West go?" Why can't governments just get on with scaling down their own forces, now that the theoretical threat has receded anyway? Might not the negotiating effort simply be wasting time and money?

Both Start and CFE are open to criticism. By some estimates Start would theoretically allow the US the same number of strategic nuclear warheads it now has. US officials believe that, if political progress continues, neither side will use its permitted levels. Mr Heisbourg says it is "difficult to prove that it will increase stability . . . It is probably not harmful but it is not clearly beneficial."

The proposed conventional arms treaty, Mr Bill Hopkinson, the head of the Ministry of Defence's arms control unit admitted last week, is "not a perfect solution, but the best we have in hand." He told a rather surprised audience at the Royal United Services Institute: "It will not be a total disaster if we do not get a treaty."

Arms treaties were to be the instrument of change in the security of this most militarised of continents; now they are following in the wake of change in East Europe

Failure would not enable the Soviets to stay in eastern Europe, or to count on it as a strategic asset. Eastern Europe's revolutions have changed the strategic situation as much as, and probably more than, the arms talks set out to.

CFE is based on a principle that has become a fiction – the preserving in aspic of two alliances, balanced against each other, at lower levels of armament. Whatever further negotiations there are, the days for negotiating by blocs are counted.

The CFE participants are unlikely to proceed further on this basis except to tidy up loose ends, although diplomats at Nato argue that some "team discipline" will continue to be needed to make arms control manageable. There is no consensus in the West about who should take part in any further multilateral initiatives, although it looks as if these might be broken down into regional groupings. France wants all 35 (or after German unification, 34) countries belonging to the Conference on Security and Co-operation in Europe (CSCE) framework. Other western – and Soviet – officials see talks involving the same Warsaw Pact and Nato members, as the most "relevant" countries, without bringing in everybody else from Malta to the Vatican.

Most of the faces in Vienna are the same as when the CFE talks started 14 months ago, but the reasons for being there are different. The objective of the exercise for Nato is no longer to push back a Warsaw Pact threat but to manage, codify and structure the change already taking place, and to ensure mutual confidence.

The case for persisting with the treaties is threefold. First, they would create a barrier to subsequent rearmament. Both treaties would involve the destruction, rather than just the moving, of heavy weaponry. CFE proposals involve more than 100,000 items, mostly Soviet; in Start, the Americans calculate that the Soviet Union would have to destroy one launcher every 68 hours for seven years.

Second, both would set up an intricate machinery of verification. In Start, for which trial pre-treaty inspections have already begun, this would mean Soviet and US officials visiting each other's most sensitive military sites. In CFE it would become a massive multilateral exercise in openness.

Third, agreements are needed simply in order to keep the process going. The CSCE summit planned for the end of the year will not happen if there is no CFE pact to sign. Western officials see a negotiating outcome as helping Moscow to legitimise its exit from the territory of its allies and avoid humiliation. Even if, as seems probable, the Warsaw Pact countries will now fall below some of the limits proposed in Vienna, a treaty would make that reality less painful.

Western negotiators are concerned that if a CFE treaty is not tied up this year, there will be diminishing returns.

The blockage at Vienna is now mainly to do with aircraft. Initially, the US and its allies did not want to discuss aircraft at all. But now that a Soviet army pullback is in sight, the issue of Soviet airpower has become increasingly important in Nato's priorities. Negotiators think this year may be a "now or never" opportunity to get a deal, but a big gap remains between the two sides' proposals.

Difference on definitions or numbers in other categories of equipment – tanks, armoured combat vehicles, artillery and helicopters – are closer to being resolved. Western negotiators think the treaty can cope with German unification with "minimal" adjustments.

Even if both treaties are signed this year, however, there is still ratification. The US Senate would be expected to take three to six months on each, which means it would be the end of next year before both were ratified, and any heavy-handed Soviet move in the Baltic states could threaten Senate approval of Start. There is also the question of ratification by the new Soviet Congress of Deputies. This is the first time there will have been a real discussion. A US official says approval is "not a foregone conclusion." Soviet negotiators have learnt from the Americans how threats to ratification can be used as a negotiating technique.

Signatures would trigger a series of more talks. Americans and Soviets are already groping towards a "Start 2." Moscow would like to bring other nuclear powers in, but not necessarily immediately. "We are realists. We understand that they are not prepared to join this process," says Mr Yuri Nazarkin, chief Soviet negotiator in Start.

There is likely to be at least an appendix to CFE at which troop levels in the central region, including British and French forces in Germany, would be discussed. Some allies want to press right on with further talks; the US, wanting a breathing space, is not wildly enthusiastic. In short-range nuclear forces (SNF), Nato quarrelled last year about whether to negotiate. It is now willing to start talks straight after signature of CFE.

Nato has already set a time limit on its SNF weapons but dropping plans to update them. Since it has decided that without a central front there is no need to have these weapons on the ground, it could go about disarmament unilaterally.

Equally, in other areas of equipment and manpower, budget pressures throughout Europe and North America will ensure cuts are made. That is another route to disarmament. It could be quicker, but also messier and certainly less reassuring.

OBSERVER

Foggitt on his own

■ Bill Foggitt has been wearing his overcoat in Thirsk this week in defiance of a crop of reports declaring that global warming and the greenhouse effect are with us.

Foggitt first noticed a greenhouse effect in 1936. That was the year that gales blew his greenhouse away. He has not had one since.

"Naturally I get worried when Prince Charles says we have to do something about it. It's a good thing he is getting involved," said Foggitt. But while he admires the Prince of Wales, Mrs Thatcher and a number of other leading greens, Foggitt remains unconvinced that global warming is happening.

Some of the locals in Thirsk have embraced the theory with jokes about "Doncaster del Sol." Foggitt, however, is immovable in his belief that a little ice age is nearly upon us. "Some American friends were telling me New York had just had one of its most severe winters for many years and we have a few frosty nights in Thirsk recently," he said.

Bitterly cold north west winds were still blowing in Thirsk yesterday, but Foggitt said the cold spell was nearly over. Now he is praying for rain. Thirsk has had nearly an inch of rain so far this month, but it is still not enough for the farmers. "I don't like the way they look at me," he confessed.

Fowler's job

■ Absolutely fitting that Sir Norman Fowler, the man who left the Cabinet to spend more time with his family, should have become a non-executive director of the National Freight Consortium. When he was an opposition spokesman in the 1970s, Fowler produced a pamphlet on transport policy called The Right Track. In it he proposed the privatisation of what was then the National Freight Corporation. In the event the change came about more by a management buy-out, but Fowler was very much involved in it as Minister of Transport in Mrs Thatcher's first administration. Almost like going home.

Out of order

■ Delegates attending yesterday's meeting of the International Telegraph and Telephone Consultative Committee (CCITT), the Geneva phone club at the heart of the controversy over excessively high international phone prices, were unable to make international calls. Such calls have to be routed through the organisation's switchboard, but this was closed because of the Ascension Day holiday. It seems that even the CCITT is worried about the high price of international phoning.

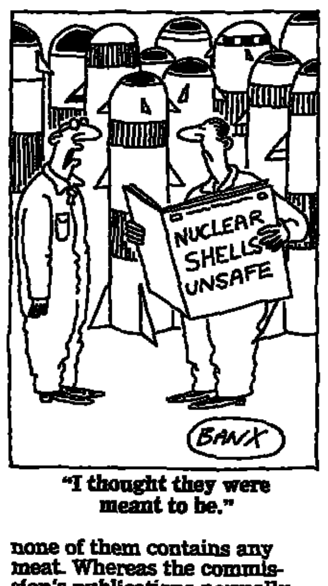
Tory Marx

■ I have a very loyal helpmate in this office who is a staunch Conservative and an active party worker. Recently, however, she has taken to borrowing my copy of Marxism Today. She takes it off to her constituency headquarters, where she says it goes down very well. The latest issue has an article on Michael Heseltine headed The Prince. The constituency workers will enjoy it, she thinks.

Hide the meat

■ The Meat & Livestock Commission, the regulatory body of the British meat industry, is about to launch a £1.2m advertising campaign in the national press on the theme of Meat to Live.

The ads are very striking. It is notable, however, that none of them contains any meat. Whereas the commission's publications normally have pictures of beef, pork, steak and chicken more or less ready to eat, the new advertisements confine themselves to people. Three healthy-looking men are shown variously jogging, playing volley ball and beach cricket. The thought that they have been eating meat is left to the imagination.



"I thought they were meant to be."

Also on my desk is a brochure from Asda, advertising conservation grade meat. On the cover there is a picture of an idyllic English village nestling in the fields with a shepherd looking on. There is not a single animal in sight.

Finally, I have started receiving information about vegetarian dog food and health food for cats. One note says that Sir Winston Churchill's poodle thrived on this sort of thing.

Capel coup

■ Here is a real commercial coup to come out of events in Eastern Europe. Zsigmond Jarai is resigning as Hungary's deputy finance minister to join James Capel & Co in London.

Jarai was recruited by Capel's Mark Odescalchi, whose Italian-sounding name should not conceal the fact that he is himself of Hungarian origin. Odescalchi first met Jarai in Budapest a year or so ago, and was quick to move this year when Jarai suggested early this year that he would like a spell abroad outside the government sector.

Much of Jarai's recent work has been in developing the Budapest Stock Exchange, of which he was chairman. He moves to London on September 1 to assist Capel in its activities in Eastern Europe and the Soviet Union. The 39-year-old Hungarian also speaks Russian and German, as indeed one would expect.

Poor Scots

■ To reinforce his case for the virtues of European Monetary Union, Sir Leon Brittan, the EC vice-president, yesterday produced a facsimile of an 18th Century Scottish banknote which was printed shortly after the union of England and Scotland in 1707.

According to the inscription, the note was worth simultaneously one English pound, or 12 Scottish pounds.

Brittan's point was that two currencies can continue to coexist once they are interlocked. The only question is the rate at which they are exchanged. "The Scots," he added, "did not get as good a deal as the East Germans."

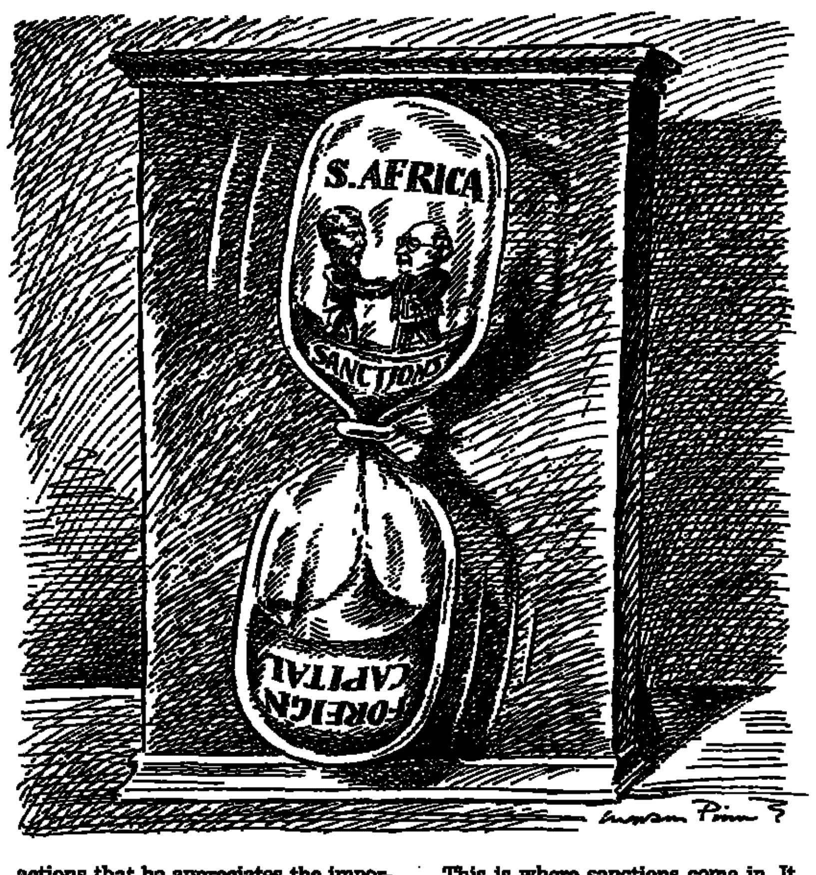
Labour's bid

■ The Labour Party's new policy document, Looking to the Future, has a glossy cover picture of a woman holding a child. The woman has no wedding ring, though it looks as if one might have been removed. Clearly a bid or the single parent vote.

POLITICS TODAY

Not yet time to lift sanctions

By Joe Rogaly



President F.W. de Klerk is nearing the end of his nine-nation tour of western Europe. As he prepares to go home to South Africa tomorrow he trails an obvious question behind him – "when should sanctions be lifted?" My answer is: very soon I hope – but when the time comes, not all at once.

This is an entirely political proposition. I shall seek to justify it, but first let it be acknowledged that the price in terms of economic hardship is being paid by South Africans, most of them black. Outsiders, including outside commentators, feel not a scratch.

Thus we all need to recall the harsh reality of our subject matter. "I have seen for myself the dreadful conditions in which many black people are forced to live," Mrs Lynda Chalker, the British Minister for Overseas Development, told a meeting of the South Africa Foundation in London on Tuesday. "A great proportion ... live in shacks – and as many as one in six are homeless. Health care ... is rudimentary." Mrs Chalker is a Tory minister who has to do what she can to manage a miserably insufficient aid budget; nevertheless she did not prevaricate. She reminded us that black children had only a sixth as much spent on their education as their white counterparts. In Bophuthatswana, a South African tribal "homeland", there was just one doctor for every 16,000 inhabitants, as against one for every 7,000 in Botswana, Zimbabwe and Zambia.

The truth is that while South Africa is by far the richest country in black Africa it has one of the highest levels of economic inequality in the world. "It may be obvious to the economist," said Mrs Chalker, "that a privileged life-style enjoyed by the few at the expense of the many cannot overnight be extended to all. But that is a hard message to sell to people who live in tin shacks miles from the nearest school or clinic."

This is where politics does battle with economics. There is no escaping the need for a redistribution of wealth and income, but if it is taken too far the generation of new wealth will cease. Fresh investment from outside is therefore imperative. Mr Gavin Relly, immediate past chairman of the Anglo-American Corporation, said on Wednesday that "we probably need growth of well over 5 per cent to enable us to bring higher standards of living to our swiftly increasing population and to properly address our social imbalances." As Mr Relly argued, economics therefore suggests a turnaround from sanctions to inward flows of aid and, most importantly, capital investment. In my view politics tells us, wait a second or two – first ask how these desirable ends are to be achieved, and what kind of settlement will best achieve them?

The textbook answer is that the task can only be done by providing a climate in which free enterprise can flourish; that in turn requires the rule of law under a democratic government whose legitimacy is widely recognised, plus an electorate that can think through its pangs of hunger to a sophisticated appreciation of the merits of a social market economy. President Gorbachev is gambling on the existence of such an electorate in the Soviet Union. We must pray that he knows what he is doing. The magic wand that can create the necessary polity in South Africa has not been invented. To achieve even an imperfect version of it will be a long, painfully slow, process.

Mr Relly's speech, which reads like a lecture on current western economic thinking, is part of the effort. It was delivered to a consultative "Business movement/ANC" conference in Johannesburg. The African National Congress, which is a coalition one of whose allies is the South African Communist Party, will not be persuaded to abandon its socialist dreams by one conference. Yet it is encouraging that Mr Nelson Mandela, addressing the same audience, gave an exposition of the ANC's views that showed that it is well worth trying.

He spoke of nationalisation as one option to be debated, repeated his belief in a multi-party system, talked about anti-trust laws in the US and the Monopolies Commission in Britain, floated the idea of a public housing corporation and so on. He did not expound a socialist blueprint. "We are very conscious of the critical importance of ... the confidence ... of both the national and the international business communities and investors," he said. "We can therefore have no desire to go out of our way to bash them and to undermine or weaken their confidence in the safety of their property and the assurance of a fair return on their investment."

It is here that we get to the nub of the matter. There will be no democratic government, and no properly-tuned electorate, if some of the other Rip van Winkles of the ANC are not persuaded to accept that state socialism has been a miserable failure wherever it has been tried. Some readers may ask, why depend on the ANC? The answer is that in the absence of any elections or referendum the best available evidence suggests that Mr Mandela and his colleagues command the support of the majority of South African blacks, and not a few coloureds and Indians, plus a tiny sprinkling of whites. Chief Mangosuthu Buthelezi's Inkatha movement is pro-capitalist and anti-sanctions, but its support extends to a majority of Zulus at best.

Mr de Klerk has shown by his actions that he appreciates the importance of the ANC, which is beginning to look like the preferred future coalition partner of the Afrikaner Nationalists. This week a group of retired South African army officers visited the ragged military branch of the ANC in Lusaka. South African business leaders, led by Mr Relly, have expressed the same awareness of who the inheritors of the Afrikaners' political power are likely to be.

With the exception of Chief Buthelezi and Bophuthatswana's President Lucas Mangope, tribal leaders have shown by their actions that they, too, know which way the wind is currently blowing. When blacks finally get a chance to vote in a free contest the fiercely proud Pan Africanist Congress, or representatives of Black Consciousness, or others, may give us an unpleasant surprise. Meanwhile, ANC headquarters is the place to go.

This is where sanctions come in. It is impossible to estimate the effect of official sanctions on the rate of growth of the South African economy. So-called private sector sanctions have done the greatest damage. Banks and financial institutions have been understandably reluctant to invest in an unstable, partly Third World, country at the tip of Africa. This observation should not be used as an excuse for keeping official measures in place. Decisions to lift sanctions, made by the European Community, the Commonwealth, or the US Congress, would constitute signals to the boardrooms of the world's private lending institutions. When should these decisions be made?

The answer is, when the world becomes certain that Mr Mandela and Mr de Klerk will be able to persuade their own supporters that such-and-such a negotiated settlement is worth accepting. The South African Cabinet does seem to have made up its mind to accept a one-man-one-vote constitution. Its primary purpose at the negotiating table will be to carve out areas of local responsibility for its own people to run. It will also seek to maintain capitalism in place, and use complex constitutional arrangements to entrench various individual and collective safeguards. Politics at the centre of government will, it appears, be black-led. Once all this is out on the table and demonstrably irreversible the case for heavy sanctions designed to pressure Mr de Klerk will be difficult for the ANC to sustain, although much will depend on the details.

Getting to that point may take another six to 12 months, during which the EC and Washington could well indicate that if the ANC is consistently unreasonable, such and such a sanction will be lifted, while if Pretoria turns, or fails to control its police, the process will be reversed. The EC may set itself on such a course at its summit in Dublin next month. It may consider a symbolic gesture of encouragement to Pretoria. The US is awaiting a visit to Washington by President de Klerk and an address to both houses of Congress by Mr Mandela. President Bush is constrained by the Comprehensive Anti-Apartheid Act of 1986, which imposes the severest of official sanctions but does provide for relaxations.

The purpose of such a step-by-step approach would be to get the parties to the negotiating table as soon as possible and pile on the pressure for as rapid a process as possible. The more that our two southern Gorbachevs, Mr Mandela and Mr de Klerk, deal with one another the greater the suspicions likely to be aroused at the fringes of their separate constituencies. Time is becoming short. The two leading protagonists plainly depend on the approval of the outside world for each move they make: why else would they pause between every act and take bows on a world tour, as both of them seem to be doing?

It would be foolish to believe that this process can be governed by political fine-tuning from abroad. You cannot sensibly tie a sanction to a sub-clause in the constitution, and should not try if the general import of that constitution is right. But insofar as Washington, London, and other EC capitals can influence the general trend of events, they will soon have an opportunity to do so by starting to lay down the sanctions cards in their hands, one by one, over a period that one must hope does not have to be measured in years. Mrs Margaret Thatcher is wrong about sanctions: they have had an effect, and there is still some mileage in many of them. But that will soon be played out, after which it will be time to welcome South Africa back into the world community.

If the ANC wants to get ready to crown such a victory, I suggest it instruct one of its officers to broker a rugby tour by the French, the All Blacks, or, best of all, the Lions. Call me optimistic, but pencil in somewhere in mid-1991.

LOMBARD

Scant reward for the miners

By David Thomas

The Yorkshire and Nottinghamshire miners who reacted angrily to the news this week that up to 7,500 miners jobs are to go by 1993 have a point. British Coal's workforce has delivered everything that has been asked of it since the end of the miners' strike.

More than half the industry's jobs have been shed and almost 100 pits shut, while output from the deep mines has declined only a whisker. As a result, productivity has more than doubled. The claim by Sir Robert Haslam, British Coal's chairman, that the restructuring has been the most radical in recent UK industrial history is difficult to dispute.

The news of a further round of pit closures and job losses must seem scant reward for this effort. For there is no escaping the underlying brutality of Sir Robert's message this week. It was, in essence, the same as that delivered to the Ravenscraig steelworkers a week ago: the industry must shed jobs even if the workers continue to break productivity records.

Sir Robert did not put the point that bluntly. But the logic was inescapable. The coal industry is suffering a squeeze on its markets which is likely to intensify in the 1990s.

British Coal's three-year contract with the electricity supply industry, overwhelmingly its most important customer, means a 5m tonne cut in sales in 1992-93. For their part, the generators are planning to lessen their dependence on British Coal still further by boosting coal imports and gas-fired generation in the 1990s: they believe this strategy makes sense both commercial and environmental sense.

The job of British Coal's management, as Sir Robert emphasised, is to continue to squeeze costs so that the maximum number of jobs can be defended against the competition.

A company in this position could normally expect the support of its shareholders and no doubt Sir Robert's statement this week was cleared by the Department of Energy. But the Government, as sole shareholder of British Coal, has failed to deliver something which would be of immeasurable benefit to the corporation: clarity about its future.

The Government appears to blows first hot and then cold about the privatisation of British Coal, depending on who is installed as Energy Secretary at any one time. No sooner were senior managers at British Coal told to expect a sale shortly after the next election than the Government let it be known that no sale was likely before the middle of the decade.

This chronic confusion is adding to the air of uncertainty in the industry, which top management blamed in part for the rash of unofficial disputes in the Yorkshire coalfield last year. It is also potentially destabilising for the Government's larger game of introducing competition into the privatised electricity industry. The three year coal contracts, part of transitional arrangements for electricity's transfer into the private sector, were negotiated under heavy supervision from the Department of Energy. Civil servants will continue to take an equally keen interest in electricity's coal purchasing arrangements throughout the 1990s unless British Coal is privatised.

British Coal's top managers seem to be in two minds about living in a twilight zone between the Energy Department and a privatised electricity industry. Take coal imports as an example. On the one hand, they profess to be happy to leave imports to the market: the generators could not substantially boost imports without driving up the price of internationally traded coal. On the other hand, they appear comfortable with the coal industry's traditional way of influencing such decisions: a discreet word in Whitehall about the potentially devastating impact on jobs in the politically sensitive Nottinghamshire coalfield.

The Government is in danger of ensuring that coal and electricity, two industries whose fortunes are destined to be intertwined, live by quite different rules.

LETTERS

Committed to improving the quality of training

From Mr Michael Howard MP.

Sir, Your editorial comment ("Mr Howard's own goal," May 23) criticises the Government's funding of training.

Let me emphasise again that my aim is the upgrading of skills in the nation's workforce and the guaranteed provision of worthwhile training opportunities for school-leavers and long-term unemployed people. We are achieving this on a massive scale through our training programmes and through the enthusiasm of the new Training and Enterprise Councils.

Voluntary organisations have made a tremendous contribution to our training programmes. Contrary to the allegation in your editorial, the "groups on the margins of society" that you mention will continue to be expertly trained by voluntary organisations – and other training organisations, including employers. Furthermore, training for these groups will continue to attract a more generous contribution from the taxpayer than do other participants in our training programmes.

Providers of employment training will on average have their grant not "sharply pruned" but reduced by 4 per cent compared to last year, when the funding included start-up costs. As you acknowledge, I can make no commitment to ensuring that every provider of training last year will remain a provider of training this year and every year after. My priority is to ensure that the training we need is provided, not that individual providers' livelihoods are secured.

You and I agree that the UK must increase its investment in training. We disagree on the share of the investment to be borne by the taxpayer.

Let us put matters in perspective. Over the last four years government spending on training has increased by 60 per cent at a time when unemployment has fallen by 50 per cent. It is not in the least surprising that we are now seeing some adjustment in the context of the very sharp fall in unemployment that we have seen in recent years, the fall in numbers of school-leavers, and the increased contributions of employers to the cost of training.

Employers too must "invest in human capital on the scale taken for granted in many competitor countries" (your words). Many prominent UK employers, and the Confederation of British Industry (CBI), agree. There is every indication that employers are increasing their training investment: their contributions to the cost of the Youth Training Scheme (YTS) increased sixfold between 1985 and 1989, from £33m to £200m.

We remain completely committed to the government guarantees. I am personally committed to maintaining and improving the quality of training and to making sure that our people have the skills they need to compete in the 1990s. So are the many business-leaders and others who are actively involved in the Training and Enterprise Councils. All the indications are that together this is precisely what we shall achieve.

Michael Howard,
Secretary of State for Employment,
Caxton House,
Tothill Street, SW1

Towards a denial of democratic capitalism

From Mr Philip Chappell.

Sir, Two thoughtful contributions on May 22, John Plender's article on institutional ownership ("The limits of institutional power") and your editorial comment ("The role of shareholders") highlight the dilemma that now faces capitalism in the stock market.

Countless philosophers, from Adam Smith to Hayek and Popper, have emphasised that the moral justification of capitalism depends absolutely on millions of separate decisions being taken by consumers every day in a genuinely free market: the philosophy of capitalism and the politics of democracy go hand in hand.

But the present ownership of listed companies in the UK is rapidly becoming a denial of this pattern of democratic capitalism. Fiscal policy may have concentrated actual power in the hands of financial institutions, but it is trying to square an impossible circle if they are then asked to behave as owners rather than the trustees they really are.

The happier solution is to restore both power and ownership to millions of individual investors and allow them to make their own choices. Those who argue that individuals are ill-equipped to do so are denying the first principle of capitalism – and forgetting that David Ogilvy's aphorism: "The consumer is not a moron – she is your wife," is equally applicable to personal investors.

It is against this philosophical background that the Coal Board Pension Funds' bid for Globe must be viewed. It is not their accountability so much as the reduction of shareholder choice, which is the key issue.

Government has tilted the fiscal playing field against the private investor – only the Government can show its genuine commitment to wider ownership by referring the bid.

Philip Chappell,
Association of Investment Trust Companies,
Park House,
16 Finsbury Circus, EC2

From Mr Michael Franks.

Sir, Your editorial and John Plender's article describe a long-running issue – how can institutional power be effectively exercised to the benefit of corporate efficiency.

It is not necessary to equip institutions with managerial expertise across the entire industrial spectrum. Their muscle can be deployed, through their representative bodies, to make improvements to the system which is in place.

The International Stock Exchange should be persuaded that, as a condition of quotation, all companies should appoint at least two independent directors. The authority of the independent directors should be increased by the adoption of model articles monitored by the quotation department.

They could embody one or more of several well-discussed ideas (such as board committees which must approve certain corporate policies or actions; brief annual reports by the independent directors on the areas entrusted to them; the separation of the chairman and chief executive roles; the appointment and terms of service of the independent directors.)

At the moment, non-executive directors, often not really independent, can only advise and persuade in private, or blow a whistle in hopes that institutions will intervene, or resign: not a very impressive armoury. However well-qualified they can make no real headway against an entrenched management which thinks it knows better or does not want to hear.

If the institutions persuade the authorities that commercial realities should be adapted to live up to the legal theory – that boards monitor managements – there will be no need for them to become shadow managers. They (and individual shareholders) can support independent directors equipped with real authority to protect shareholders' interests.

Michael Franks
Silicon Bridge,
Webbs Barns,
Mapledurwell,
Basingstoke, Hampshire

EC-wide poll needed for executive

From Mr Richard Laming.

Sir, Parliaments, whether national or European, will never be able to hold the Council of Ministers sufficiently to account to fill the European Community's democratic deficit to which your editorial comment ("Europe for the people," May 17) refers.

The Council's members are elected by and answerable to separate electorates and therefore have no collective responsibility for decisions taken by qualified majority vote.

An executive can only be accountable if its members share a joint responsibility for its actions and are answerable to the same electorate.

Members of the Community's executive must therefore obtain their mandate collectively, and this can only be done via Community-wide elections, whether parliamentary or presidential.

Unless such an election becomes the means of choosing the executive, rather than a series of separate national elections for each member, the lack of accountability and the democratic deficit will remain.

Richard Laming,
President,
City and Westminster European Society,
1 Whitehall Place, SW1

FINANCIAL TIMES
Friday May 25 1990

No sweetener to go with this economic pill

Quentin Peel reports on Nikolai Ryzhkov's plan to switch to a market economy

THE Soviet Union's stolid Prime Minister, Mr Nikolai Ryzhkov, yesterday presented a plan to switch to a market economy which seems to combine the worst of all possible worlds.

He spelt out a string of price rises, not only for basic foods like bread and meat, but for important industrial products – fuel and energy up 82 per cent, iron and steel up 71 per cent – without producing any clear proposals for the institutional and economic reforms which might go with them..

In the words of one western economic observer, "it was a mixture of horrific price rises, and pious hopes." The only sugar on the pill has been the promise that wages will be allowed to rise by almost the full extent of the price increases.

In an effort to soften the blow of economic reform, popularly regarded now as a fearsome prospect, Mr Ryzhkov seems to have removed all the benefits of a rapid move to the market and left only the penalties of trying to raise prices to world levels.

Even then, he warned that the consequences would still be grim. He forecast a "marked fall in production and a reduction in capital investments," particularly in the next two years, as the central planning system tries to hand over to something christened a "regulated market economy." Even Mr Gennady Gerasimov, the official Foreign Ministry spokesman, , believes that phrase is an oxymoron.

The Prime Minister, a competent and likeable engineer who was once manager of Uralmash, the country's biggest industrial complex, now faces the real prospect of conservatives and reformers ganging up to reject his plan, in spite of Herculean efforts to compromise.

As for the Soviet people, it seems a huge gamble to think that they will vote for a package almost exclusively of price rises when they are offered a referendum on the issue.

Professor Nikolai Petrakov, the personal economic adviser to President Mikhail Gorbachev, has been insisting for months that price reform cannot come before institutional reform: anti-monopoly legislation must control or break up the industrial ministries and giant enterprises (like Uralmash) before they have the chance to fix free prices.

Mr Ryzhkov promises that anti-monopoly legislation is in the pipeline, but the 18m-strong government bureaucracy is clearly fighting every inch of the way.

The Prime Minister's task in the reform was thankless. He presented his first effort last December, declaring his intention of managing the transition to the market by continuing the control of the central planning bodies as long as possible.

The immediate result has been four disastrous months for the economy. Industrial production has dropped sharply, while wages and incomes rose by 23 per cent. The Government had to import an extra Rbs3bn in food supplies in the period to make up for the failure of Soviet agriculture.

"If the economy continues to develop in this way, then the next steps of the transition to a market economy will be undertaken in even more difficult conditions than now," he warned. Then he went on to reject "shock therapy", and opt for a gradual transition.

Even the promised acceleration of reform seems anything but that. Mr Ryzhkov has stuck to his former strategy of an "administered" transition to a market economy. State procurement orders will remain in place, although it is planned that they will only account for 40 per cent of production by next year.

Even the state supply committee (Gossnab) will stay in existence. Only its officials are being told they must learn how to operate in a market economy.

The government plan is for three phases of transition. The rest of the current year is to "lay the legal basis for a market economy." In 1991-92 there will be "major steps" towards that goal. That means price reform, establishing a social security net, reforming the credit and banking system, allowing a property market to develop, trying to promote "individual initiative," and attempting to improve consumer goods supplies.

In 1993-95, the process is supposed to accelerate. "State administrative limitations" will be cut back, competition encouraged through anti-monopoly laws, and new incentives to enterprise created.

After 1993, Mr Ryzhkov declared, "the economy will begin to improve."

His presentation was received with deep scepticism. The price rises were advertised in advance, but still shocking. He warned that there would be unemployment – but only temporarily, while those laid off from loss-making enterprises found jobs in the expanded service sector.

He promised that the "constitutional right to work" would be maintained, although the Government would secure employment only "as best it can."

It all amounted to a diet of almost undiluted blood, sweat and tears, with a bit of compensation, and one irresistible old-fashioned promise of more production. By 1992, Mr Ryzhkov declared, production of televisions will be up by 2.2m a year, of video recorders by 60,000, and of sewing machines up by 1m.

This time, that was the best he could do.

THE LEX COLUMN

The message from BT is heartbeat

If the Chancellor was thinking about releasing the brakes on the British economy, he probably thought again after yesterday's manufacturing output and unit wage cost figures. The economy looks remarkably robust; the rational observer might conclude that the next move in interest rates should be up, not down.

British Telecom

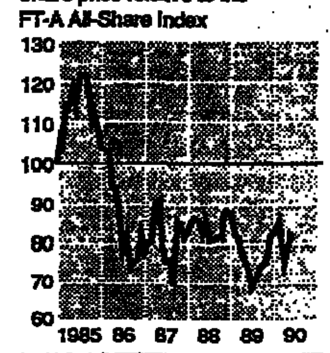
The UK authorities are right to be suspicious about the quality of their official statistics, but the latest message from British Telecom, which measures the UK economy's heartbeat, cannot be ignored. The patient is still doing much better than expected. The 4.5 per cent physical growth in the size of the BT network in its latest financial year, is greater than a couple of years ago when the economy was growing more than twice as fast as it is now. Similarly, the double digit growth rates in quarterly call volumes are just as regular as ever. BT is a classic defensive stock.

At less than 10 times earnings, and yielding 5¼ per cent, BT is one of the cheaper stocks around in a hostile market. Nevertheless, it is hard to justify a rerating. Admittedly, BT is at last getting to grips with its fat cost structure. If it really can shed 10,000 jobs a year for the next three years, and not undermine the recovery in its service quality, then it could save upwards of £150m per annum.

The massive management reorganisation of the kind now underway at BT is a welcome, if risky move. However, BT's share price performance over the next couple of years is going to be affected far more by political factors than anything else. One has to be a considerable optimist to believe that BT will be a primary beneficiary rather than a loser from the forthcoming duopoly review. And although the fears might be ill founded, the greater the prospects of a Labour government the greater the threat to the BT share price.

British Telecom

Share price relative to the FT-A All-Share Index



Thorn EMI

When Thorn EMI says it is getting out of the lighting business, then it is a sign that this company really is changing into something quite different, and the stock market ought to be more than a little nervous. Whereas a company like GrandMet seems to have got the message and stopped shuffling its assets constantly, Thorn EMI always seems to be in a state of flux. Little more than a year ago it was buying new lighting companies. Now it has decided it is not a big enough multinational player and is planning to exit the industry for a modest price. The defence business would be sold if only a buyer could be found and Rumbelows no longer has much of a place in the corporate strategy. It would not be so bad if the money was being channelled back to shareholders. But one senses that the company is anxious to make yet another bid for a business, which just might not seem to fit three years from now.

Labour policy

The Labour Party's new policy document is a lot more professional than some of its previous efforts, but it is unlikely to win many City converts. There are few actual figures on display, although Mrs Thatcher was not terribly forthcoming before the 1979 election about the prospects for 3m unemployed and the collapse of manufacturing industry. But there are some expensive and clear commitments. Pensions will be linked to whichever is the higher of prices and earnings; child benefit will be uprated to take account of the lost ground since 1987; the deterioration in public sector pay levels will be halted, which presumably means index-linking. The government's power to cap local authority expenditure will be abolished.

All this, and the end of privatisation receipts, will put immense pressure on public finances, at a time when economic factors – inflation and a probable rise in unemployment – will be exerting a squeeze of their own. The budget surplus will vanish immediately and the deficit would be substantial rather than minimal.

The differentiation between current expenditure – which will be met out of government revenue – and investment expenditure – which will involve borrowings – may be intellectually pleasing, but is unlikely to convince gilt investors. The danger with the investment categories is that they look capable of infinite expansion. Mr John Smith, the shadow Chancellor, may say he will not rely on interest rates alone, but with a deficit to finance and an ERM parity to maintain, he will not be able to cut them far, if at all.

UK property

The valuer's lot is not a happy one. Commercial property is barely nine months into a bear phase, but tricky old problems about how to value property in falling markets are rearing their heads again. On Wednesday, the smug Land Securities was revealing that its UK retail and office portfolio appreciated by 2.75 per cent last year. Yet in the same breath, it was warning that the price-tags you can put on the prime locations in the Lands portfolio, including literally dozens at the core of the City, are not much of a guide to valuing other peoples' buildings.

Yesterday's commendably cautious interims from MEPC made the point still more bluntly, as might be expected from a company with the job ahead this summer of trying to let Alban Gate, its 400,000 square feet of offices slap-bang over London Wall. As average yields demanded by institutional buyers of property rise, so capital values are coming under pressure: the problem, with very few large transactions recently, is to put one's finger on just where they are.

True, the bearish trend looks clear enough. According to Hillier Parker, between February and May alone, yields on offices in the central City have moved out from 5.5 per cent to 6.1 per cent, the highest level since May 1977. The difficult thing is to tell whether they are yet reaching a peak. At these sorts of levels, commercial property must be looking attractive again to pension funds and insurers. But it would probably only take one administrative receivership of a quoted City property developer, followed by some well publicised forced sales of City properties, to push yields up further.

Japan apologises for past brutality

By Robert Thomson in Tokyo

JAPAN was forced last night to confront its wartime brutality, as Emperor Akihito formally apologised to Mr Roh Tae Woo, the South Korean President, for the "sufferings your people underwent" during the Japanese occupation of the Korean peninsula.

The apology's wording had clouded Mr Roh's arrival yesterday for a visit intended to leave the past behind and mark a "new age" in relations between the two countries, which, as the Emperor said, "have maintained close contact since ancient times."

Japanese officials were hoping that the apology for the occupation from 1910 to 1945 would appease ordinary South Koreans, who remained angry after an ambiguous statement made by the late Emperor Hirohito in 1984.

The 1984 statement, Japan's first formal attempt to make public its guilt, mentioned a "regrettable" and "unfortunate past" in bilateral relations, and suggested that this period "should not be repeated," but did not specify which country was to blame.

In words provided by the Cabinet, Emperor Akihito added: "I think of the sufferings your people underwent during this unfortunate period, which was brought about by my country, and cannot but feel the deepest regret."

President Roh's visit has been a history lesson for the Japanese, who have little knowledge of the country's past aggression in Asia.

The standard Japanese secondary school textbook has about half a page on the occupation of Korea, while an equivalent Korean textbook has 60 pages.

Mr Toshiki Kaifu, Japan's Prime Minister, made a more explicit apology yesterday in his meeting with President Roh, and promised Y4bn ($26m) in aid to Korean victims of the Hiroshima and Nagasaki atomic bomb blasts. As many as 20,000 Koreans, most brought to Japan against their will, were killed or injured by the bombings.

Mr Kaifu told President Roh that in "building a new relationship," the two countries must "clearly articulate the realities of events that have so regrettably marred our past relations."

"I would therefore like to express my sincere remorse and honest apologies for the fact that there was a period in our history in which Japanese actions inflicted unbearable suffering and sorrow on the people of the Korean peninsula," Mr Kaifu said.

South Korean President Roh Tae Woo (left) and Emperor Akihito of Japan at the state guest house in Tokyo yesterday

In reply, President Roh said that the apology "reflects a correct recognition of history."

Asked why Japan had taken 45 years to apologise clearly, a Foreign Ministry spokesman said last night that both countries have matured in recent years, and "the people of Japan have overcome their complexes of superiority and inferiority to Koreans."

Italian business policy attacked

By John Wyles in Rome

ONE OF the most blistering attacks on the Italian Government and parliament ever made by a leader of the nation's industrialists was delivered yesterday by Mr Sergio Pininfarina, president of Confindustria, the manufacturers organisation and main representative of Italian industry.

The annual presidential report is a regular occasion for Confindustria to voice complaints about government policy. But rarely has its president been so sweeping in his attack on the politicians and unable to find a single positive word for current policies.

Arguing the case for a "remodelling" to make the political institutions more responsive to the people's requirements, Mr Pininfarina accused politicians of leading the nation into growing lawlessness, and of budgetary and interest rate policies which were hitting competitiveness, causing industrial output to slow and corporate profits to fall. They were forcing large manufacturers to import semi-finished products at the expense of small and medium-sized Italian businesses, he said.

Clearly anticipating something of this kind, Mr Adolfo Battaglia, the Industry Minister, armed himself with an array of government promises to remedy several of Confindustria's grievances. He told the industrialists' assembly that the cabinet would approve a measure today providing for "a permanent and structural" budgetary subsidy for social security charges on employers.

In addition, the Government planned to amend a law recently passed which restricts the freedom of companies with fewer than 16 employees to dismiss workers, and it would also halt the passage of a law before parliament which would extend the *scala mobile* wage indexation system until the end of 1991.

But he had nothing new to offer to reassure industry that the Government will achieve its medium term targets for stabilising the public sector deficit.

Mr Pininfarina said failure to achieve past targets had kept interest rates high, leading to an overvaluation of the lira. Small and medium sized businesses had been forced to hold back on investment, while government policies had contributed to a 10 per cent rise in labour costs last year.

East Germany seeks to borrow DM50bn

Continued from Page 1

shares on the stock market as soon as possible but we do not want to rush into forced sales," he said.

He said only DM1bn would be raised from selling companies this year but a further DM4bn could come from property sales. That would still fall short of Bonn's expectation of DM7bn from privatisation which Finance Ministry officials had assumed would be used for infrastructure projects.

To resolve the problem of East Germany losing out from desperation sales, Bonn has suggested that privatisation prices should be linked to future earnings of the company concerned.

Mr Peter Moreth, the trust chairman, will soon be replaced as part of a big reorganisation.

However Mr Krause, who has already spoken to several banking consortia, says that the money-raising plan will go ahead anyway.

He also revealed that the trust was looking for 10,000 non-executive directors to represent the trust on the supervisory boards of larger companies.

UK power company may help customers generate own power

By David Thomas, Resources Editor, in London

NATIONAL POWER, one of the new electricity generators in England and Wales, is considering plans to help about 100 big customers generate their own electricity.

National Power proposes to take an equity stake in many of these schemes, which will not be subject to the strict limits on its direct sales to large industrial customers imposed by the new regime for the privatised electricity industry.

The company, which has emerged as one of the most aggressive players in the reshaped electricity market, has already reached the limits on the amount it can supply directly to large customers, even though these limits were raised only on Monday.

The 100 own-generation schemes being discussed by National Power would have a total capacity of well over 500MW – equivalent to the annual consumption of a medium-sized city.

Most of these are small combined heat and power schemes, designed to provide both process heat and electricity, using mainly gas or renewable energy sources.

In the past week, National Power has won contracts to supply 8 terawatt hours (TWh) of demand a year to large industrial customers. This means it has captured 13TWh of total direct supply business – equivalent to about 5 per cent of total electricity demand in England and Wales.

It has won part of the huge contract to supply British Steel, whose annual electricity bill is about £120m ($202m).

British Steel would not comment yesterday, but it appears to have spread its demand among a number of suppliers, including PowerGen, National Power's rival generator, in a move which will sharply cut the supply business of South Wales Electricity.

National Power and PowerGen are the two new electricity generators in England and Wales created out of the Central Electricity Generating Board.

National Power now has contracts to supply 12.5 per cent of demand in South Wales and in Merseyside and North Wales, covered by the company Manweb; and 10 per cent of demand of the Northern and Yorkshire supply companies.

The area electricity companies have told the Government privately that they think National Power is competing unfairly by offering subsidised prices, but Mr Robert Robinson, National Power's head of sales, dismissed these allegations yesterday. He said the Energy Department had cleared all the contracts it had seen.

Mr Robinson said National Power's marketing emphasis will now shift towards own generation by customers. Industrial customers can avoid the nuclear levy, which adds 10.6 per cent to final electricity bills, by generating their own electricity.

Although own generation would reduce demand for electricity from National Power's stations, the company could make money from it by helping industrial customers to build their own generating sets and by running them on a joint venture basis.

Coal imports set for record, Page 10

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	24	75	Dallas †	C	21	70	Madeira	F	20	68	Prague	S	23	73
Algiers	S	24	75	Dublin	F	19	66	Madrid	F	20	68	Reykjavik	S	9	48
Amsterdam	F	17	63	Dubrovnik	C	26	79	Majorca	F	24	75	Rhodes	S	29	84
Athens	S	25	77	Edinburgh	F	13	55	Malaga	S	28	82	Rio de Janeiro		–	–
Bahrain	S	39	102	Faro	S	21	70	Malta	S	26	79	Rome	F	24	75
Barcelona	R	19	66	Florence	F	27	81	Manchester	F	15	59	Salzburg	C	21	70
Belfast	S	14	57	Frankfurt	S	21	70	Melbourne	C	12	54	S'Francisco †	S	11	52
Belgrade	S	29	84	Geneva	C	18	64	Mexico City		–	–	Santiago		–	–
Berlin	S	20	68	Gibraltar	S	22	72	Miami †	Sn	26	79	Seoul	S	19	66
Biarritz	C	18	64	Glasgow	F	13	55	Milan	C	17	63	Singapore	F	34	93
Birmingham	C	14	57	Guernsey	S	15	59	Montreal †	S	9	48	Stockholm	F	14	57
Blackpool	S	14	57	Helsinki	C	11	52	Moscow	S	17	63	Strasbourg	C	19	66
Bombay	F	33	91	Hong Kong	C	25	77	Munich	R	18	64	Sydney	Dr	15	59
Bordeaux	C	17	63	Innsbruck	C	17	63	Nairobi	F	24	75	Tangier	F	21	70
Boulogne	F	18	64	Inverness	C	9	48	Naples	S	26	79	Tel Aviv	S	25	77
Bristol	F	16	61	Isle of Man	F	12	54	Nassau		–	–	Tenerife	F	25	77
Brussels	F	18	64	Istanbul	S	21	70	Newcastle	S	11	52	Tokyo	C	20	68
Buenos Aires		–	–	Jersey	S	18	64	New Delhi	S	38	100	Toronto †	F	10	50
Budapest	F	25	77	Johannesburg	F	12	54	New York †	C	12	54	Tunis	F	27	81
Cairo	S	31	88	Las Palmas	F	23	73	Nice	F	24	75	Valencia	F	25	77
Cape Town	S	17	63	Leeds	F	14	57	Nicosia	S	25	77	Venice	F	23	73
Cardiff	S	17	63	Lisbon	S	20	68	Oporto	S	19	66	Vienna	F	23	73
Chicago †	F	13	55	Locarno	C	17	63	Oslo	F	11	52	Warsaw	F	24	75
Cologne	S	19	66	London	F	17	63	Paris	F	18	64	Washington †	C	16	61
Copenhagen	R	13	55	Los Angeles †	S	13	55	Peking		–	–	Wellington	C	15	59
Corfu	S	29	84	Luxembourg	S	20	68	Perth	S	18	64	Zurich	C	18	64

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Brussels fears 'beef mountain'

By Tim Dickson in Killarney

RISING consumer concern in the UK over BSE, or "mad cow disease", is hitting Ireland's valuable beef trade and exacerbating worries in Brussels of a new European Community meat glut.

This emerged at a major international conference in Killarney yesterday where Mr Raymond MacSharry, the EC's Agriculture Commissioner, hinted that EC funds could soon be available for a major industry promotion campaign to reassure the public.

Mr MacSharry said that as far as he was concerned "beef is safe". But he said the EC had a responsibility to consumers and that "all aspects of the problem must be brought to public attention and exhaustive research and analysis must continue."

EC vets, he revealed, were currently reviewing the situation at a separate meeting in Ireland and steps would be taken to keep member states informed.

Mr MacSharry did not explicitly refer to knock-on effects outside the UK but he said an industry promotional campaign should be "conducted throughout the Community because problems in one member state will affect other markets sooner or later." Consideration was being given to making EC funds available for food promotion generally.

Irish government officials were adamant that Irish beef sales to the lucrative UK market - amounting to 100,000 tonnes last year - were being hit by the BSE scare since consumers in Britain had no way of identifying its source.

They said that this was one important reason why the flow of meat into EC intervention stores at the moment was unseasonably high.

Commodities, Page 38

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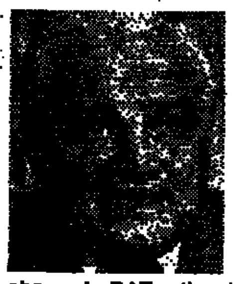
INSIDE

Hoylake places half of BAT holding



Hoylake, Sir James Goldsmith's consortium which failed in its bid for BAT Industries, yesterday placed out over half its 1.25 per cent stake in the UK tobacco-based conglomerate. Around 19.1m shares have been sold via Salomon Brothers, the US investment bank. Some investors have elected to take shares in BAT rather than cash, and the remainder of the stake is being distributed directly to them. Page 30

Barrels in the hedge

Hundreds of millions of barrels of oil, worth billions of dollars, are hedged for periods of up to 10 years by means of tailor-made swaps and options. No one knows precisely how big the market is, but it is growing rapidly and has begun to exert a significant influence on oil prices. Stephen Butler reports on the rise of trading in the longer-dated contracts for crude oil. Page 38

Tarmac moves into Europe

Tarmac, the UK's biggest construction and building materials group, is setting its sights further afield with its first acquisition in mainland Europe. The group has paid £20m ($33.87m) to acquire Barriaud, a hardstone and limestone company, and for a 51 per cent stake Sablières de la Neste, a sand, gravel, limestone and ready-mix concrete company, both of France. Andrew Taylor reports on the implications of this and other moves into the Continent by UK building materials groups. Page 33

Oslo polishes up its act

The Oslo Bourse is not sitting on its laurels. Last year it was one of the world's top performers, but such accolades have not blinded it to the need for reforms. The bourse must tackle three key issues — liquidity, the trading system, and its own credibility and professionalism — if it is to improve the prospects of companies anxious about raising capital as the EC single market approaches. Karen Fossli reports on the plans for change. Page 29

Michelin on the offensive

The Michelin man is going on the warpath. The French tyre group has snapped up Uniroyal Goodrich, the big US tyre maker, in a bid to vanquish its rivals in an industry where the main players are battling hard for volume and market share. The move makes it the second most important player in a US market that accounts for up to 40 per cent of world car tyre sales. William Dawkins reports. Page 26

Market Statistics

Companies in this section

Chief price changes yesterday

NEW YORK ($)

Rises				Hitachi Cond.	1470	+	120
Circus Circus	62	+	3/4	Ichiken	1400	+	100
U.S. Shoe	24 7/8	+	1 3/8	Kaiyo	3810	+	400
Falls				Nissan Const.	1300	+	140
Am. Brands	67 5/8	–	1 1/2	**Falls**			
Digital Eq.	92	–	1 1/4	Aiwa	2550	–	240
Nat. Media	10 1/2	–	1 3/8	Mutow	1480	–	100
Philip Morris	43 7/8	–	1 3/8	Nippon Lace	1600	–	150
TOKYO (Yen)				Sakai Textile	1010	–	70
Rises				Sanko Eng.	1200	–	130
Awa Bank	1540	+	110				

New York prices at 12.30. Paris & Frankfurt closed.

LONDON (Pence)

Rises				**Falls**			
BAT Inds.	703	+	19	BHH	60	–	16
BDA Hldgs.	25	+	6	Bass	1046	–	17
Bennett Ftn.	40	+	3	BP	316	–	7
B'ham Mint	75	+	4	Burmah	615	–	11
Brit. Telecom	286	+	8	Land Secs.	486	–	12
Cater Allen	404	+	16	MEPC	489	–	20
Mecca Leisure	82	+	5	Midland Bk.	274	–	10
Reuters	1160	+	28	Shell Trans.	457	–	7
THORN EMI	733	+	21	Sun Alliance	313	–	9
Tunstall Grp.	190	+	14				
Yorkshire TV	253	+	11				

Thorn aims to sell lighting arm to GTE

By Michael Skapinker in London

THORN EMI of the UK said yesterday that it hopes to sell its lighting business to GTE of the US. The British group said it had decided its operation was not big enough to compete against the international industry leaders.

Thorn had previously said it regarded lighting, its original business, as one of three sectors in which it could be a world leader. The others were electronics and white goods rentals and the music business. The sale of lighting would mark a further stage in the dismantling of the industrial empire created by Sir Jules Thorn, an Austrian immigrant who set up his own business selling lamps in the 1920s.

Thorn and GTE said they signed a memorandum of understanding on Wednesday night and were now negotiating the price and terms of the transaction. Thorn EMI would not disclose how much it was asking for the business, but it is thought to be about £300m ($507m). Thorn Lighting accounted for about 14 per cent of the group's pre-tax profit and turnover last year, generating £40m profit on sales of £461m.

A GTE spokesman said the deal would "strengthen our position in Europe." GTE, best known for its Sylvania brand, was interested in the UK company because of the globalisation of the lighting industry. The company had to seek out growth opportunities if it was to remain a major supplier.

Mrs Sharon Christians, Thorn's director of corporate affairs, said consolidation in the world lighting industry had prompted the group to sell its interests. "We were just not big enough to go it alone," she said.

Last year General Electric of the US launched a joint lighting venture with Toshiba of Japan. GE also bought a 50 per cent stake in Tungsram, the Hungarian lighting manufacturer. In January, the General Electric Company of the UK sold its 51 per cent stake in GEC-Osram, the light bulb manufacturer, to Siemens of West Germany, its partner in the business.

"You've got the consolidation of the giants going on," Mrs Christians said. Although Thorn's lighting business was the fifth largest in the world after Philips of the Netherlands, GE, GTE and Osram, its turnover was only a quarter that of Osram, she said.

Since 1985 it has sold more than 60 other businesses, ranging from Inmos, the semiconductor company, to Kenwood, the kitchen appliance maker.

Thorn said it still believed it could compete internationally in the rentals and music businesses, despite its failure earlier this year to acquire Geffen, the US record label.

Thorn and GTE already have a joint lighting manufacturing venture in Italy. GTE held a minority stake in Thorn in the 1960s.

It is still possible that Thorn will retain a minority stake in its lighting business, but this is thought unlikely. Thorn said it was too early to say how many jobs would be lost. The lighting division has 12,800 employees, 7,000 in the UK. The group admitted, however, there would be some reduction in staff numbers.

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Fujitsu is prepared to take holding in ICL

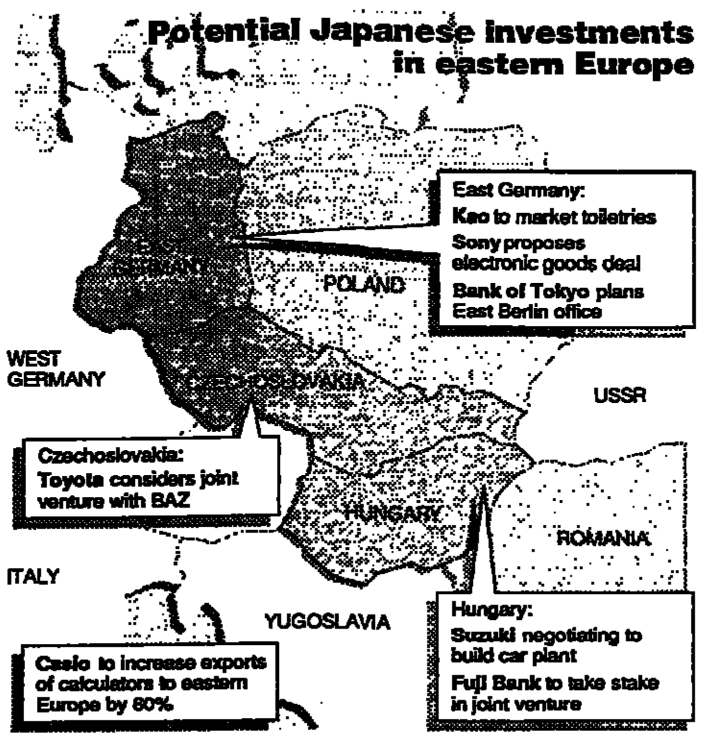
By Alan Cane in Tokyo

MR TAKUMA Yamamoto, president of Fujitsu the leading Japanese computer manufacturer, said yesterday that his company would be prepared to take an equity stake in International Computers (ICL) of the UK if the opportunity arose.

His comments will fuel speculation over ICL's future. The group is a subsidiary of STC, the British telecommunications and information systems group, and Mr Arthur Walsh, STC's chairman, has made it clear over the past few months that he has been looking for a partner to share ICL's heavy costs of research and development.

Mr Walsh said last year that he favoured a Japanese partner because of the quality of that country's technology. Yesterday Mr Yamamoto said the two companies enjoyed good relations and there was strong trust between their respective senior managements. They would continue to work together.

Details, Page 27



Japan holds off in eastern Europe

Interest has not yet been followed up with cash, writes Stefan Wagstyl

News that Toyota Motor, the biggest Japanese automobile maker, might invest in a vehicle plant in Czechoslovakia will raise hopes that Japanese companies are about to release a flood of capital into eastern Europe.

Nothing could be further from the truth. Six months after the historic breach in the Berlin Wall, Japanese businessmen and bankers are more interested than ever in gathering information about the region. Scarcely a week goes by without a fact-finding mission leaving Japan for eastern Europe.

But the travellers return talking more about the region's difficulties than its potential. There is little sign yet that the surge in Japanese interest will generate a significant increase in trade and investment – at least not in the next year or two.

"There's great interest in collecting information," says Mr Iwao Ohashi, a researcher at the Japan External Trade Organisation, "but so far there have been almost no concrete proposals."

Even a Japanese Government pledge of $2bn in aid to Poland and Hungary has done little to impress business circles. Japan joined the US and western European countries in promising assistance – and similar packages are under discussion for other eastern European states. But businessmen do not feel obliged to follow the Government's lead. They say the Government is acting mainly out of consideration for relations with the US not out of concern for eastern Europe.

Toyota itself said it had not made any decision about investing in eastern Europe. It was still at the stage of collecting information. However, C. Itoh, the trading house which is Toyota's adviser in the region, confirmed the car maker was considering proposals for a joint venture with Bratislavske Automobilove Zavody (BAZ), a large vehicle plant in Bratislava, in Czechoslovakia. According to the Czech Government, Toyota is one of seven foreign automobile groups which have expressed interest in modernising the factory.

The contrast between the ambition of the Czechs and the caution of Toyota reflects the enormous gulf in knowledge and experience which separates Japan from eastern Europe. Japanese companies cannot move quickly in the region because the range and depth of their contacts is tiny in comparison with those of Europeans and Americans.

Trade with eastern Europe made up only 0.3 per cent of Japan's total trade last year. In 1988, Japan's share of western exports to the region was 3.3 per cent against West Germany's 42.5 per cent. Of the 3,200-3,400 joint ventures signed by western companies by the end of March 1990, Japan accounted for under 40.

Numbers are not everything. The US share of exports to the region is little more than Japan's – at 3.7 per cent of the 1988 total.

But Japan lacks the historic ties which link the US and western European countries to eastern Europe through immigrant communities. Mr Katsuhiro Fujiwara, director of the economic co-operation department of the Keidanren, the employers' federation, said: "There's hardly anyone in Japan who knows the languages let alone the culture or history."

Virtually the only Japanese companies with offices in eastern Europe are the large trading houses, including C. Itoh, Mitsubishi, Mitsui and Sumitomo.

Officials at the Japanese Ministry of International Trade and Industry declined even to hazard a guess at how many missions have been sent from Japan since the wave of political revolution swept through eastern Europe last autumn.

Apart from filling hotel rooms, the benefits to eastern Europe have so far been very meagre. Far from increasing, bilateral trade has stagnated over the last year. Just two companies have announced agreements to pursue joint ventures.

One is Suzuki Motor which is negotiating to build a Y20bn ($132m) plant for producing 15,000 compact cars a year in Hungary. This is a substantial scheme. With further investments, Suzuki might raise output later to 50,000 and even 100,000 cars a year. It could bring widespread benefits to Hungary by encouraging the development of local parts suppliers. But it has been under discussion since 1985 and is not the fruit of last year's transformation of the region.

The other joint venture involves Goldwell, a West German subsidiary of Kao, a leading Japanese toiletries company. Goldwell intends to market Kao products in East Germany with the help of a local distributor.

A handful of other companies have made various expressions of intent. Sony, the electronics group, said it planned to market consumer goods in East Germany. Casio has announced plans to increase exports of calculators in eastern Europe by 60 per cent to 275,000 machines. Fuji Bank said Heller, a US subsidiary, would take a stake in a $17m banking venture in Budapest this summer in partnership with Austrian and Hungarian banks. The Bank of Tokyo, Japan's specialist foreign exchange bank, plans an office in East Berlin.

As they learn more about eastern Europe, Japanese businessmen's attitudes may change. Some Japanese companies are beginning to distinguish between the prospects in different countries in the region. Top of the list is East Germany, not least because it is about to be united with West Germany, which is expected to guarantee sound monetary policy and economic stability. However, Japanese companies recognise that, in East Germany, West German companies have an enormous head start.

Next on the list is Hungary which started its economic reform well before last year. Japanese banks like the fact that its external debts are well covered by export earnings.

Czechoslovakia is above Poland because of its better-developed industrial base although there are doubts in Tokyo about the commitment of Prague to introducing free market policies. Poland is lauded for the courage of its Government in tackling reform head-on – but there is grave concern that the result could be economic chaos. Bankers are loathe to consider new loans to a country with accumulated debts of $40bn.

Japanese bankers shake their heads at the prospect of lending money to eastern Europe. They say they made the mistake of relying on government guarantees when lending to Latin America.

Even the large trading houses are in no hurry to rush into big new ventures. An official at Mitsui said: "We have no plans to expand yet. Maybe, in five or 10 years, these countries will have sorted out their reforms." In the meantime, companies would concentrate on small investments.

Matsushita Electric Industrial, the largest electronics group, has sales offices in Vienna and Moscow and planned to open one in Budapest next month. But its exports are small – Y18bn worth to the whole region, including Y12bn to the Soviet Union, out of annual sales of Y6,000bn.

Toshiba, another big electronics combine, said it had been watching events closely but had no definite plans. Nissan Motor, the number two car maker, has sent a fact-finding mission but has not reached any decisions.

In the virtual absence of concrete plans, observers are free to speculate what might happen. Mr Ohashi at Jetro says the best bet for Japanese manufacturers may be to tie investments in eastern Europe with plants in the European Community. Japanese businessmen like the idea of using low-cost labour for assembly and other work. Products made in eastern Europe would be regarded as European-made and so would not run into the restrictions which might face exports from Japan, particularly after 1992.

But Japan's moves in eastern Europe pale into insignificance in comparison with its activities in developing countries in East Asia. Japanese businessmen are not too worried that Germans and Americans are getting a head start in eastern Europe when they believe there are better prospects closer to home. Those who are really convinced there is money to be made dealing with communists and ex-communists go to China. At least they feel they know the Chinese.

Li Ka-Shing resists pressure to move companies from Hong Kong

By John Elliott in Hong Kong

MR LI KA-SHING, the leading Hong Kong entrepreneur, is coming under intense pressure from potential business partners in the US and Canada, as well as from directors of his main companies, to move his group's legal domicile to Bermuda before Hong Kong returns to Chinese sovereignty in 1997.

But he is refusing to sanction the move for his HK$70bn (US$9bn) group – headed by Cheung Kong and Hutchison Whampoa – because it would hurt Hong Kong's fragile confidence.

"To this hour I still say 'No'. But I cannot guarantee that for ever because so many directors and shareholders keep asking the question 'Why not go?'," Mr Li said in an interview yesterday.

"They argue that there is nothing to lose, apart maybe from extra costs of legal fees. They say to me I will have protection for the future of the company and that it will help with overseas investment because some of our possible partners are worried.

"However, the damage to confidence in Hong Kong would be great if we made the move, though not so serious as a few years ago."

Last week, World International, part of the group built up by Sir Yue-Kong Pao, Hong Kong's other leading tycoon, announced it was moving the domicile of its Lane Crawford department store group to Bermuda. Bankers estimate that about 70 companies have made this move since the trend was started in 1984 by Jardine Matheson, the colony's leading "Hong" trading company.

Mr Li said owners of unnamed companies in the US and Canada, which he would like to take over, were "worried" about being owned by a company that would be part of communist China. "They say that if I get controlling shares in their company, and after 1997 something happens, then it will affect them as well." He was being urged to leave Hong Kong by "a major number" of his companies' directors.

Mr Li expressed confidence in the future of Hong Kong and called for increased joint contacts with the Governments of China and the UK to avoid "misunderstandings" which had been causing problems recently.

BT shares rise despite profits fall

By David Owen in London

THE LEGACY of Project Sovereign failed to spoil the party when British Telecom unveiled its results for the year to March 31 yesterday.

A £390m ($660.5bn) exceptional charge relating principally to the group's sweeping reorganisation plans resulted in a 5.5 per cent decline in pre-tax profits to £2.3bn from £2.44bn a year ago. But the shares rose 8p to 286p in a declining market, taking heart from the group's underlying strength as indicated by a 10 per cent growth by volume in inland calls.

The group also reported a 10.7 per cent increase in exchange line rentals. All told, turnover advanced by 11.2 per cent to £12.32bn from £11.07bn in 1989.

Earnings per share slipped marginally to 25.0p (25.9p). A final dividend of 7.15p (6.25p) was recommended, making a total of 11.8p (10.5p) – up 12.4 per cent.

The group's net interest charge was £144m higher than the previous year at £484m, with the increase due primarily to the cost of financing last year's $1.37bn investment in McCaw, the US cellular telephone company. This was covered 6.6 times by operating profits.

The new balance sheet shows net debt at 48 per cent of shareholders' funds. According to Mr Barry Romeril, the finance director brought in from the industrial conglomerate, BTR, more than 80 per cent of the company's debt is at fixed interest rates.

Describing the group's final quarter as "particularly good," Mr Iain Vallance, chairman, said that demand for the group's services had "held up well despite a slow down in the UK economy.

"We have an organisation that is on an even keel," he added. "In terms of our efficiency, we probably have 10-15 per cent to go, to get on a par with a good Bell regional operation in the US."

Mr Romeril said that the "major part" of the £390m charge related to previously-announced staffing reductions but that a portion represented the cost of rationalising the group's cable television interests.

He said the charge was designed to cover redundancy costs over more than two years, "but not much more." The group, which employed 246,000 people at its latest year-end, intends to cut its 40,000-strong managerial and professional workforce by between 4,000 and 5,000 over the next year.

Some 10,000 jobs a year are expected to be shed over the next three years.

The group said it made £4.9m per day in after-tax profits, while investing £8.5m per day in the UK and £11.1m per day overall.

Lex, Page 24

INTERNATIONAL COMPANIES AND FINANCE

UK property group warns of falling values

Paul Cheeseright, Property Correspondent

MEPC, the UK's second largest property investment and development group, has warned of falling values in the commercial property sector, confirming the worst fears of an already jittery stock market.

The property share market, which on Wednesday drew solace from the announcement of a slight increase in net asset value by Land Securities, the biggest UK property group, weakened as buying support evaporated. MEPC shares were 20p lower at 489p.

"The projected surpluses on some of our developments will have been eroded by the recent weakening of investment yields, and some values in the investment portfolio may be under pressure if adverse sentiment continues," said Sir Christopher Benson, te MEPC chairman, announcing half-yearly figures for the group.

MEPC, which has a property portfolio worth £3.7bn at the last valuation in September 1989, has published net assets per share of 881p. Although 16 per cent of the portfolio is overseas, brokers have been mainly concerned about movements on the UK market and are predicting at best only a very small increase in this figure at September 1990.

MEPC, however, in the six months to last March had pre-tax profits of £77.4m, over 20 per cent more than in the same period of 1989. Its earnings per share rose in line to 16.5p. The interim dividend is being raised by 10.5 per cent to 5.25p a share.

The strength of MEPC's revenue stream, similar to that of Land Securities but on a smaller scale, is based on rental income. This continues to rise strongly as rents on properties in the portfolio move up to the levels established on the market in recent years. "We expect to achieve a satisfactory increase in our earnings for the year," said Sir Christopher.

His optimism about earnings and his pessimism about values reflect the split in the UK commercial property market. The leasing market is relatively strong, though not as vibrant as in 1988-89. But the investment market, soured by high interest rates, has become very sluggish; this is causing severe problems for highly-geared development companies.

New heads at BCI and Credito Italiano

By Haig Simonian in Frankfurt

ONE OF the longest periods of rumour and uncertainty in Italian finance was finally brought to an end yesterday with the appointment of Mr Sergio Siglienti as the new chairman of Banca Commerciale Italiana (BCI) and of Mr Piero Barucci as the managing director of Credito Italiano.

The appointments to the two public-sector banks appear to be broadly neutral in political terms, scotching the worst fears of greater politicisation in the Italian banking system.

They would also appear to mark something of a setback to Mediobanca, the powerful Milan-based merchant bank. Both Mr Enrico Braggiotti and Mr Lucio Rondelli, who are stepping down as chairman of BCI and managing director of Credito Italiano respectively, had been more closely associated with Mediobanca than their two successors.

The surprise among the announcements made by IRI, the Italian state holding company, is the decision by Mr Barucci, current chairman of Monte dei Paschi di Siena, to switch to a seemingly junior job at Credito Italiano in Milan.

Cogema to expand with Australian mines deal

By Kenneth Gooding, Mining Correspondent

COGEMA, THE state-owned French nuclear fuels group and the western world's biggest uranium miner, aims to crystalise its strategy of developing an international gold company based in Australia by taking control of Arimco, a medium-sized, Sydney-based company.

As part of the deal, Arimco (Australian Resources Investment and Mining Company) will take over La Bourneix near Limoges, one of western Europe's biggest gold mines with an annual output of 43,000 troy ounces a year, which is being raised to 60,000 ounces.

La Bourneix and Cogema's gold exploration activities in Australia will be exchanged for 132m new Arimco shares.

Cogema (Cie Générale des Matières Nucléaires) will also buy 45.6m Arimco shares and 4.4m partly-paid Arimco shares from Mr Rodney Hudspeth, who currently controls the Australian company and will continue as executive chairman. He will also keep about 10 per cent.

The French group, which will own 61.3 per cent of Arimco's enlarged capital, will pay 68 cents each for the fully-paid Arimco shares and 39 cents each for the partly-paid.

Arimco shares have recently traded in Sydney in the 55 to 60 cents range.

Arimco, which was advised by Rothschild Australia, early this year was transformed into an operating mining company when it bought most of Cyprus *Minerals' Australian assets,* including the Gidges gold mine in Western Australia and investments in three other producing mines.

The addition of La Bourneix will boost Arimco's annual gold production to 150,000 ounces. Cogema said yesterday it intended to lift this to 250,000 ounces a year by providing financial and technical support to enable the Australian company to quickly bring its extensive portfolio of gold properties into production.

Brash Michelin throws down the gauntlet

William Dawkins looks at the battle for market share between the world's tyre makers

Michelin chose an audacious moment to *make its $1.5bn take*over of Uniroyal Goodrich of the US, turning itself into the world's largest tyre maker just as the car industry looks to be drifting into its next downturn.

This move amounts to a declaration of war against Michelin's rivals in an industry where the main players are battling hard for volume and market share. It could even contribute to an expected slight fall in the French group's profits this year by pumping up group debt at a time when demand in the US and Europe is starting to deflate.

The weakness of demand was underlined only a few days ago with the publication of industry figures showing a 4 per cent decline in western European car registrations between March and April.

Yet Michelin and the analysts who try to follow this secretive company agree that the French group had no choice but to snap up what was the last big US tyre maker available for sale before one of its competitors did.

The move makes Michelin the second most important player in a US market that accounts for up to 40 per cent of world car tyre sales, a target it has had in its sights since the early 1970s. It lifts Michelin's share of the $46bn per year world tyre market to an estimated 21.5 per cent.

In the process, the French company has at last stepped ahead of its nearest competitors, Goodyear Tire & Rubber – *the last* independent US tyre maker and US market leader – and Bridgestone of Japan, which only two years ago outbid Michelin and Pirelli for Firestone Tire and Rubber of the US. Goodyear and Bridgestone now hold around 17 per cent each of the world tyre market, and would love to turn back the French invasion.

Global scale is clearly important for Michelin's attempts to match the internationalisation of its car manufacturing customers, which account for roughly half of world tyre sales, with the rest going to tyre dealers. The Uniroyal deal leaves it with around a quarter of sales in the US, 70 per cent in Europe, and the rest in Asia.

Family controlled Michelin has always been discreet about its own affairs, a deliberate and probably sensible policy that reflects the importance of keeping technology out of the hands of rivals.

Having invented the steel radial tyre in 1946, Michelin does not want to lose its technological edge now. Neither does it want to allow unwanted publicity to dilute the results of the 5 per cent a year of turnover it has to spend on research and development, the cost of keeping its technology up to scratch.

That said, there are several obvious strategic reasons why Michelin needed Uniroyal Goodrich, which last year made a net profit of just $11.8m on sales of $2.2bn. For one thing, volume matters in an industry where profit margins are under increasing pressure. Many analysts are now revising their forecasts of six months ago, that world tyre demand would grow by a 2 to 3 per cent in the next few years, and are instead predicting a flat market.

WORLD TYRE INDUSTRY

Economies of scale in R&D are even more important, given that this is the last spending area which the technology-led Michelin will consider for cost cutting. The group's philosophy holds that R&D becomes doubly important when the market is slack. The argument is that better quality tyres last longer and so cost less per mile to run than apparently cheaper products. When motorists' spending is under pressure, quality can be sold as a cost advantage, at least in the replacement tyre market when motorists make up their own minds on which *brand to choose.*

Also, Michelin knew that the way US tyre distribution is organised effectively barred large parts of the market to independent foreign suppliers like itself. As in most countries, the US market splits roughly half and half between supplies to car producers, a high-volume low-margin business, and supplies to tyre dealers for the replacement market, a quirky low-volume business with fatter margins.

Typically, US tyre dealers like to offer two or three world class premium brands, plus their own so-called private brand, made under contract by a leading tyre producer. Uniroyal Goodrich has the big advantage of being the US leader in private brands, where it holds 8 per cent of the market, with 16 per cent of overall US tyre sales.

On average, private brands make up half of US replacement tyre sales and sell at a discount of at least 30 per cent against the big brands, which is not the disadvantage to the leading producers it might seem. While the big tyre makers clearly make more money on their own brands rather than those they make for sale under a local dealers' name, the ability to provide private brands at all is a valuable entry ticket to the profitable replacement market.

Uniroyal Goodrich means Michelin can for the first time offer US tyre dealers the full menu of products they demand: two big US brands, a private label and the two Michelin brands, Michelin and Kleber. A similar justification lay *behind Bridgestone's $2.6bn* takeover of Firestone in 1988.

Outside the replacement market, Uniroyal Goodrich brings Michelin a big share of *supplies to General Motors,* the world's largest car producer, though there is no insurance that the contract will last. It also has a similar image as a producer of high performance low profile tyres in the US as does Italy's Pirelli in Europe.

Michelin has been aware since the middle of last year that a car industry downturn was coming and planned accordingly. Heavily indebted by the Uniroyal Goodrich deal, it announced two months ago that it would freeze non-essential investment and hold this year's stocks at last year's level.

In previous cycles, Michelin has noticed that a reduction in demand from car producers has tended to feed through two years later to an increase in demand from the more profitable replacement market. The group finds itself having to digest its largest ever acquisition just at the moment that the US and European tyre markets are entering a limbo in between these two phases.

● *This is the third in a series of articles on the world tyre industry.*

Norway bank needs NKr900m

***By Karen Fossli** in Oslo*

CHRISTIANIA Bank, Norway's second largest bank, needs to raise some NKr900m ($140.6m) to strengthen core capital if it is to meet Bank of International Settlements' capital adequacy requirements and fulfil ambitious expansion plans.

Assuming asset growth of between 10 and 15 per cent, of which 4.5 per cent would qualify as core capital, the bank may be able to increase core capital by NKr2bn by 1992, according to Sverre Rostoft, chief executive from July.

To achieve this, Mr Rostoft said the bank would rely heavily on increased earnings which, he implied, could be boosted by expanding its position in Scandinavia and into new, lower risk business areas such as insurance and residential mortgage lending.

He said Christiania had reached a self-imposed limit for expanding individual commercial loan portfolios because of their size in relation to the bank's core capital. The bank has carved a niche in providing loans to industries such as shipping, transport, energy, forestry and fish-farming.

Earlier this month, Standard & Poor's lowered Christiana's Eurocommerciak paper and certificates of deposit ratings together with the bank's US commercial paper programme.

● Svenska Handelsbanken has been given the go-ahead to acquire Oslo Handelsbanken, a small Norwegian bank. The SKr212m deal marks the first trans-Nordic bank takeover.

Oslo Handelsbanken has requested to be stricken from the Oslo bourse because of the deal, which put 99 per cent of the bank's shares into the hands of Svenska Handelsbanken.

Oslo Handelsbanken posted first quarter profits of NKr8m, against NKr12.4m in the same period last year, in spite of a decline in credit losses to NKr5.8m from NKr8.4m.

Hafnia seeks partner for industrial insurance unit

HAFNIA, Denmark's second largest life group, is looking for a partner to take a stake of up to 50 per cent in a planned industrial risk insurance subsidiary, Reuter reports.

The unit will operate under the terms of the EC's second non-life insurance directive, due to take effect in July, which permits cross-border competition for insurers offering industrial risk coverage to companies of a certain minimum size.

Hafnia has experience in industrial risk through its acquisition in October of the *FLS* Industries engineering and building materials group. Hafnia also intends to expand in the life insurance sector, especially in southern Europe.

Some 30 per cent of Hafnia's share capital is foreign-owned, while the foreign proportion of the group's business rose to 34 per cent last year from 27 per cent in 1988 and will be close to 50 per cent when the business of British Prolific Group, which was acquired last year, is included.

Hafnia reported 1989 pre-tax profit of DKr2.56bn ($408.3m), up 5 per cent, while shareholders' equity rose to DKr6.3bn from DKr5.36bn.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Friday May 25 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu May 24 Index No.	Wed May 23 Index No.	Tue May 22 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (199)	876.63	-0.3	13.23	5.17	9.15	15.78	878.99	867.52	860.37	981.29
2	Building Materials (27)	1095.65	-0.4	14.39	5.42	8.58	21.22	1100.42	1078.44	1066.99	1249.97
3	Contracting, Construction (36)	1369.72	+0.4	17.57	5.99	7.42	33.20	1364.90	1349.29	1350.19	1704.00
4	Electricals (10)	2524.85	+0.5	11.26	5.31	10.92	61.43	2511.17	2456.10	2441.56	2841.96
5	Electronics (29)	1861.87	-0.6	9.75	3.98	13.27	19.33	1872.87	1874.64	1870.23	2265.25
6	Engineering-Aerospace (8)	470.93	-0.5	13.78	4.94	8.65	9.31	473.47	462.70	450.39	0.00
7	Engineering-General (43)	478.33	+0.3	11.93	5.23	10.13	8.17	477.04	467.16	464.67	0.00
8	Metals and Metal Forming (6)	493.90	+1.1	23.79	6.31	4.74	0.53	488.70	481.86	480.03	550.09
9	Motors (16)	349.52	+0.7	15.77	6.45	7.40	9.56	347.20	341.13	339.63	328.78
10	Other Industrial Materials (24)	1589.39	-0.9	11.15	5.01	10.36	33.09	1604.60	1588.52	1568.75	1606.24
21	CONSUMER GROUP (178)	1261.42	-0.7	9.56	3.97	12.97	12.56	1270.78	1256.89	1243.70	1219.35
22	Brewers and Distillers (21)	1508.58	+0.2	9.92	3.80	12.21	12.62	1505.32	1484.07	1473.10	1310.71
25	Food Manufacturing (20)	1067.58	-1.7	10.55	4.45	11.72	16.98	1086.42	1078.47	1075.05	1065.66
26	Food Retailing (16)	2427.17	+0.3	9.36	3.34	13.72	22.97	2419.20	2391.96	2364.54	2224.63
27	Health and Household (14)	2564.42	-2.6	6.74	2.71	17.67	20.36	2631.59	2597.71	2549.82	2250.95
29	Leisure (32)	1412.89	+0.2	10.14	4.31	12.01	18.28	1409.95	1403.42	1394.80	1671.40
31	Packaging & Paper (12)	582.11	+1.0	12.61	5.82	10.14	11.83	576.52	571.91	571.46	578.43
32	Publishing & Printing (16)	3342.21	-0.1	10.02	5.37	12.57	50.81	3346.87	3311.54	3308.22	3540.61
34	Stores (35)	785.14	......	11.39	4.81	11.32	2.25	785.14	777.08	765.22	817.29
35	Textiles (12)	491.98	-0.1	13.16	7.27	9.67	13.26	492.65	480.31	473.02	548.11
40	OTHER GROUPS (105)	1143.53	-0.5	11.25	5.01	10.68	10.37	1149.82	1139.35	1135.78	1105.83
41	Agencies (17)	1590.09	-0.2	6.34	2.48	19.08	14.99	1593.18	1577.28	1590.86	1406.41
42	Chemicals (23)	1247.04	-0.7	11.38	5.30	10.28	28.52	1256.36	1242.30	1229.09	1264.99
43	Conglomerates (14)	1614.88	-0.6	10.44	6.12	11.51	14.41	1624.44	1611.55	1609.36	1600.94
44	Transport (13)	2227.12	-0.2	11.25	4.50	11.23	26.91	2231.09	2212.38	2211.24	2487.72
46	Telephone Networks (2)	1153.60	-0.6	11.01	4.44	11.82	0.00	1160.00	1146.37	1141.36	1114.26
47	Water (10)	1940.96	-0.8	17.95	6.98	6.17	0.00	1955.71	1936.07	1924.66	0.00
48	Miscellaneous (26)	1722.00	-0.6	12.06	4.93	9.46	18.70	1732.59	1725.21	1721.88	1512.07
49	INDUSTRIAL GROUP (482)	1142.08	-0.6	10.99	4.59	11.08	13.32	1148.54	1136.04	1127.38	1148.27
51	Oil & Gas (18)	2289.63	-1.1	11.85	5.31	11.14	46.43	2314.48	2263.27	2282.10	2023.80
59	500 SHARE INDEX (500)	1238.08	-0.6	11.11	4.69	11.09	15.95	1245.98	1230.45	1223.79	1222.91
61	FINANCIAL GROUP (108)	783.75	-1.5	-	5.85	-	18.66	795.99	783.27	780.94	738.60
62	Banks (9)	822.76	-2.9	19.95	6.53	6.56	25.62	847.58	834.50	830.28	729.38
65	Insurance (Life) (7)	1365.96	-0.8	-	5.38	-	36.94	1377.24	1344.20	1331.04	1053.91
66	Insurance (Composite) (6)	661.19	-2.3	-	6.25	-	19.43	676.60	667.89	662.68	583.74
67	Insurance (Brokers) (7)	1069.40	+0.2	8.09	6.09	16.28	27.41	1067.54	1054.62	1061.97	994.57
68	Merchant Banks (7)	440.55	+0.2	-	4.32	-	4.85	439.53	432.50	434.10	331.28
69	Property (47)	1092.98	+0.6	8.10	4.17	15.81	8.35	1086.01	1070.57	1078.26	1317.31
70	Other Financial (25)	309.67	-0.3	14.39	7.21	9.10	4.54	310.67	304.55	304.05	368.97
71	Investment Trusts (67)	1197.72	-0.2	-	3.24	-	10.73	1199.85	1184.32	1185.63	1152.63
91	Overseas Traders (5)	1373.58	+0.6	8.98	6.65	13.64	42.87	1366.04	1332.71	1318.57	1371.55
99	ALL-SHARE INDEX (680)	1129.04	-0.7	-	4.82	-	16.34	1137.50	1122.64	1117.16	1105.81

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 24	May 23	May 22	May 21	May 18	Year ago
FT-SE 100 SHARE INDEX‡	2287.4	-23.9	2335.1	2287.3	2311.3	2282.1	2269.1	2284.4	2221.1	2149.3

FIXED INTEREST

	PRICE INDICES	Fri May 25	Day's change %	Thu May 24	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.41	-0.22	115.66	-	4.71
2	5-15 years	120.48	-0.70	121.34	-	4.96
3	Over 15 years	123.71	-1.28	125.31	-	4.77
4	Irredeemables	140.66	-1.04	142.14	-	6.12
5	All stocks	120.85	-0.59	121.57	-	4.91
	Index-Linked					
6	Up to 5 years	144.83	-0.06	144.92	-	1.49
7	Over 5 years	138.08	-0.33	138.54	-	1.38
8	All stocks	138.47	-0.31	138.91	-	1.38
9	Debentures & Loans	98.03	+0.10	97.93	-	3.92
10	Preference	73.87	+0.05	73.84	-	2.52

	AVERAGE GROSS REDEMPTION YIELDS		Fri May 25	Thu May 24	Year ago (approx.)
	British Government				
1	Low	5 years	11.22	11.21	9.71
2	Coupons	15 years	10.95	10.82	9.30
3		25 years	10.86	10.72	9.14
4	Medium	5 years	12.30	12.17	10.82
5	Coupons	15 years	11.48	11.33	9.74
6		25 years	11.09	10.94	9.31
7	High	5 years	12.42	12.29	10.92
8	Coupons	15 years	11.74	11.60	9.95
9		25 years	11.34	11.21	9.48
10	Irredeemables†		10.88	10.76	9.16
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.18	5.15	3.81
12	Inflation rate 5%	Over 5 yrs.	4.14	4.12	3.70
13	Inflation rate 10%	Up to 5 yrs.	4.10	4.06	3.05
14	Inflation rate 10%	Over 5 yrs.	3.96	3.93	3.53
15	Debs &	5 years	14.53	14.78	11.85
16	Loans	15 years	13.50	13.47	11.51
17		25 years	13.07	13.07	11.16
18	Preference†		12.53	12.53	10.20

‡Opening index 9; am 10; am 11; am Noon; 1; pm 2; pm 3; pm 4; pm 4.10; pm (a) ; (b) † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

American Stores earnings jump 30% in first quarter

By Karen Zagor in New York

AMERICAN STORES, the biggest US supermarket chain, yesterday reported strong first-quarter earnings, reflecting the company's improved bottom-line performance.

Net income for the first three months jumped nearly 30 per cent to $27.9m or 81 cents a share from $21.5m or 57 cents a year earlier. Sales grew 3 per cent to $5.42bn from $5.21bn.

The Salt Lake City-based company recently settled an 18-month anti-trust battle with the state of California by agreeing to dispose of 161 outlets.

Carter Hawley Hale Stores, a highly-leveraged US retailer, yesterday extended its third-quarter loss to $6.6m or 24 cents a share from $3.2m or 15 cents a year earlier.

Sales in the three months ended May 5 fell to $590.9m from $595.8m a year ago. The previous year's sales include the Emporium store in northern California, which has been closed since the earthquake last year.

The decline in earnings in the latest quarter reflect a $3.5m pre-tax charge because of a change in last-in, first-out method of accounting for inventories compared with a $1m credit the previous year.

Excluding the LIFO provision, gross margin in the 1990 quarter was 28 per cent of sales compared with 28.7 per cent the previous year.

Selling, general and administrative expenses fell to 22.1 per cent of sales from 22.8 per cent in 1989.

For the first nine months, Carter Hawley Hale had net income of $10m or 40 cents a share against $14.7m or 61 cents in 1989. Sales grew to $2.28bn from $2.16bn. Earnings in both years include a number of special items.

The Los Angeles-based company has been struggling under a debt-load of about $1.7bn, most of which it acquired in 1987 when it avoided a takeover by The Limited Inc by spinning off its specialty store units into the Neiman Marcus Group and giving shareholders a $17-a-share dividend.

Shares in the company, which last year traded in a range of $7 to $14¾, lost $¼ to $5 at mid-day yesterday on the New York Stock Exchange.

Bank of Montreal 7.5% ahead

By Bernard Simon in Montreal

STRONG growth in Canadian dollar loans and lower loan loss provisions helped Bank of Montreal lift second-quarter earnings by 7.5 per cent.

Net income reached C$117.3m (US$98.3m) or 94 cents a share in the three months ended April 30, up from C$109.1m or 90 cents a share, a year earlier. BMO, the fourth biggest Canadian bank, is the first to report its second-quarter results.

Net interest income grew by just over 9 per cent to C$631.5m, with the growth in Canadian dollar loans partially offset by narrower spreads caused by rising Canadian interest rates.

Although total loan loss provisions almost halved to C$51m, there was a slight increase in reserves for non-LDC loans.

Income for the first six months of fiscal 1990 rose to C$258.1m or C$2.09 a share from C$229.6m or C$1.93.

Total assets stood at C$81.8bn on April 30, up from C$78.2bn a year earlier, giving a return on average assets for the quarter of 0.60 per cent, compared with 0.58 per cent a year earlier.

Banco de Montreal SA, BOM's Brazilian subsidiary, turned in second-quarter net profits of C$10.5m, compared with C$14.9m previously, after adjusting for related foreign currency translation losses.

Harris Bankcorp, its US bank unit, reported second-quarter net profits of US$17.9m, down from US$23.1m a year earlier. The decline was attributed to a combination of narrower interest spreads, lower interest collections on non-performing loans and reduced trading profits.

Nesbitt Thomson saw second-quarter profits fall to C$1.8m from C$5.3m.

Sony's income soars by 42%

By Martina Gannon in Tokyo

SONY, which yesterday announced it will invest Y10bn in a new television making plant in Spain – the company's fourth in Europe – had consolidated net income of Y102.8bn ($680m)in the year to March 31, a 41.9 per cent increase on the previous year.

The group, which includes Sony's 576 subsidiaries and three affiliates, reported that total sales rose 34.2 per cent to Y2,879.8bn as demand grew for audio equipment and televisions, particularly large-screen colour sets.

Compact disc players, video cassette recorders, camcorders, workstations and telephones also sold well, but demand for semiconductors increased only slightly, the company said. Consolidated pre-tax profit was up 37.4 per cent to Y227.4bn.

The parent company's sales rose 22 per cent to Y1,536.4bn and net income was Y58.1bn, up 38.5 per cent. Pre-tax profits increased 20.7 per cent to Y93.2bn.

The company will add Y5.40 to its annual dividend bringing the payment up to Y50 per share.

The group, which acquired Columbia Pictures Entertainment and Guber-Peters Entertainment in November last year, had extraordinary profits of Y4.6bn from securities sales and funds returned from its loan loss reserve. It recorded an extraordinary loss of Y2bn to cover evaluation losses on subsidiary equities.

Sony foresees sales rising 12 per cent in the current year to Y1,720bn, with pre-tax profits up 29 per cent to Y120bn.

Its Spanish investment will total about Pta8.5bn and will start in late 1991.

Sony plans to boost group capital expenditure to some Y350bn from Y323.7bn. The semiconductor division will receive some Y70bn, the single biggest portion.

Good year for Hitachi and Toshiba

By Ian Rodger in Tokyo

JAPAN'S BIG electrical and electronics groups all reported substantial increases in profits in the year to March, thanks to higher sales and improved margins, especially in their electronic products, and all four have raised their annual dividends.

Hitachi, the largest, had a 13 per cent jump in sales of information and communication systems and electronic devices to Y1,594.3bn ($105.6bn). Sales of industrial machinery and plants also grew 13 per cent to Y353bn and sales of power systems and equipment, previously in the doldrums, rose 16 per cent to Y753.3bn.

However, consumer product sales fell 10 per cent to Y483.7bn, in part due to the abolition of luxury taxes on some of them in Japan last year.

The dividend was raised from Y9 per share to Y11, of which Y4.5 was paid at the interim stage.

Hitachi's consolidated net income rose 14 per cent to Y210.9bn on sales up 11 per cent to Y7,077.9bn.

JAPANESE ELECTRONICS MANUFACTURERS

	Revenue Ybn	%	Pre-tax profit Ybn	%	Net profit Ybn	%
Hitachi	3,625.3	+9	220.8	+15	115.0	+15
Toshiba	3,060.9	+5	201.8	+35	96.9	+58
Melco	2,387.8	+7	135.3	+45	56.1	+73
Fuji Elec	545.2	+14	20.1	+29	10.9	+52

Toshiba said strong domestic demand, especially in information and communication systems and electronic components, where sales rose 12 per cent to Y1,716.9bn, helped the company to reach record sales and profits.

The company's Dynabook notebook computer, introduced last summer, was a particular success.

Heavy electrical apparatus sales rose 8 per cent to Y671.2bn while consumer product sales fell 12 per cent to Y672.8bn.

Exports were virtually unchanged at Y895.5bn.

The company is raising its annual dividend from Y8 to Y10 of which Y1 is a special dividend to commemorate the 50th anniversary of its formation through the merger of Tokyo Electric and Shibaura Manufacturing. An interim dividend of Y4.5 has already been paid.

Toshiba's consolidated net income was up 10 per cent to Y131.8bn on sales of Y4,251.9bn, up 12 per cent.

Mitsubishi Electric (Melco) said its big profit gain came from sales gains in almost all sectors. Heavy electric machinery sales were up 6 per cent, helped by brisk orders from manufacturers and electric power companies.

The data communications and electronic devices division and the industrial machinery and automobile equipment division both registered sales increases of 11 per cent.

The company's annual dividend was raised from Y8 to Y9, of which Y4.5 was an interim payment.

Melco's consolidated net income jumped 44.3 per cent to Y76.8bn on sales up 9.6 per cent to Y2,976.4bn.

Fuji Electric said sales of most divisions increased, especially of heavy electric machinery bound for steel and chemical companies, factory automation equipment and electronic devices.

Profits were boosted by the favourable effects of a three-year cost-cutting programme completed last year.

The company is raising its annual dividend from Y6 to Y7, of which Y3.5 was paid at the interim stage.

All four companies are looking for more modest profit growth this year.

Hitachi is forecasting a pre-tax profit of Y225bn, up 1.9 per cent; Toshiba is looking for Y210bn, up 4 per cent; Melco Y140bn, up 3.4 per cent. Fuji expects its pre-tax profits to reach Y22bn, up 9.4 per cent.

Fujitsu 'willing to take equity stake in ICL'

By Alan Cane in Tokyo

FUJITSU, the leading Japanese computer manufacturer, would be willing to take an equity stake in International Computers (ICL) of the UK if the opportunity arose, Mr Takuma Yamamoto, the group's president said yesterday.

Mr Yamamoto's comments will fuel speculation about the future of ICL which is a subsidiary of STC, the telecommunications and information systems group.

Mr Arthur Walsh, STC chairman, has made it clear over the past few months that he has been looking for a partner for ICL to share the heavy costs of research and development which are inevitable to stay at the leading edge of modern computer technology.

Mr Walsh last year said he favoured a Japanese partner because of the quality of Japanese technology.

Mr Yamamoto said that the two companies enjoyed good relations and that there was strong trust between their respective senior managements. They intended to continue to work together for their mutual benefit and "to exploit new business opportunities together."

He said: "If there is a chance of taking an equity stake in ICL, then we would consider it." He added, however, that it was not "an appropriate time" to discuss whether negotiations were in progress.

Fujitsu and ICL have had a close working relationship since the early 1980s. ICL's mainframe computers are based on semiconductor chips fabricated by Fujitsu to ICL's design. ICL's latest mainframe, launched earlier this month, is claimed to be the most powerful single processor available.

Speculation has centred on Fujitsu because of its close relationship with the UK company, but Olivetti of Italy has also figured in City rumours.

Fujitsu has technology arrangements with Amdahl of the US, Siemens of West Germany and Telephonica of Spain in addition to ICL.

ICL said it was talking to everyone in the industry about possible collaborative projects, European competitors such as Bull in France, Siemens in West Germany and Olivetti as well as Japanese companies. The company said it accepted that it would need to find a strategic partner at some stage to further its development. Despite the range of talks underway no announcement is imminent, the company said.

Mr Yamomoto, who is credited with speeding up the internationalisation of Fujitsu through overseas production of computers, communications equipment and semiconductors, will take the post of chairman after a shareholders' meeting in late June.

● Consolidated net income of Fujitsu jumped 24 per cent to Y86.8bn in the year to March, on sales up 6.8 per cent to Y2,549.8bn, Ian Rodger adds.

The company said sales of computers and data processing systems rose 7 per cent to Y1,689.6bn while those of communications products rose 5 per cent to Y394.4bn and sales of semiconductors and electronic components gained 6.7 per cent to Y356.8bn. Overseas sales totalled Y608.7bn, up 15.2 per cent.

The parent company reported pre-tax profits up 19 per cent to Y127bn on sales of Y2,125.7bn, up 6 per cent.

Fujitsu is forecasting a 27 per cent rise in consolidated net income in the current year to Y110bn.

Fletcher Challenge to sell off fisheries offshoot

By Terry Hall in Wellington

FLETCHER CHALLENGE, New Zealand's largest company, said yesterday it was to sell its Fletcher Fishing subsidiary, the country's biggest operator of deepwater and inshore fisheries.

Fletcher described the unit as "very profitable." It has export branches in the US, Japan and France, and holds 18 per cent of the New Zealand fish quota.

The sale is in line with Fletcher's strategy to sell all subsidiaries which cannot be linked with its international expansion strategy. The company said it had doneexhaustive research over the past 12 months into seeing whatoverseas fishing companies it could absorb. It found none, andinstead decided to sell the division.

"While it is very large in the New Zealand context it is relatively small in the context of the overall Fletcher Challenge group," said Mr Neville Darrow, chief of the Fletcher planning group. "The main markets for fish are distant from New Zealand, and the industry is dominated by companies in these markets. The growth of the business beyond new zealand is not a viable option."

No price has been set for Fletcher Fishing. It is to be sold in two parts, inshore and deepwater.

Semiconductor slump slows Kyocera growth

By Ian Rodger in Tokyo

CONSOLIDATED net income of Kyocera, the semiconductor materials and electronics group, rosed 1.6 per cent to Y33.8bn ($223m) in the year ended March 31, as strong growth in cordless telephone sales was offset by a slump in demand for ceramic packages for semiconductors.

Total sales rose 7.7 per cent to Y421bn, but sales of components for semiconductors, mainly ceramic packages, dropped 13.7 per cent to Y95.5bn. Electronic equipment sales, including cordless telephones and related devices, rose 17.1 per cent to Y76.8bn.

Parent company pre-tax profits rose 6.7 per cent to Y53.8bn on sales up 1.5 per cent to Y303.8bn.

The company is forecasting pre-tax profits of Y62.3bn, up 16 per cent, in the current year.

Further downturn at Koito Manufacturing

By Martina Gannon

KOITO Manufacturing, the Japanese automotive lighting maker that is embroiled in a dispute over access to company account books with Boone Company of the US, its main shareholder, suffered a 6.6 per cent drop in pre-tax profits in the year to March to Y6.3bn.

It was the second consecutive pre-tax profit fall for the Toyota Motor affiliate, although sales rose in the same period by 10.9 per cent to Y123.5bn and net income was up 28.1 per cent to Y3.6bn.

The loss was attributed to higher development and procurement costs and fierce competition. The company was also affected by the fall of the Tokyo stock market this year, sustaining an investment loss of Y400m on specific money trust holdings. Some of that loss was offset, however, by a Y1.1bn profit on short-term stock investments.

Koito will pay a final dividend per share of Y6, on top of the Y4 interim dividend, compared to last year's full payment of Y8. The increase was made at the request of Boone Company, led by Mr T. Boone Pickens, which also asked for a seat on the company's board.

For the current year, Koito foresees pre-tax profits of Y6.8bn, up 7.9 per cent, and sales of Y134bn. It will pay a per-share dividend of Y8.

Kubota edges higher

By Martina Gannon

KUBOTA, a Japanese farm equipment and iron pipe manufacturer that is advancing into computer-related fields, lifted pre-tax profit 4.8 per cent to Y36bn in the year to March.

Sales were Y862.875bn, up 5.8 per cent on 1989. Net income was up 7.3 per cent to Y18.835bn. The company will add Y1 to its previous dividend per share of Y5.5 to commemorate its centenary this year.

Kubota predicts sales of Y700bn this year, with pre-tax profits unchanged at Y36bn.

Heavy promotional costs depress Honda Motor

By Stefan Wagstyl in Tokyo

SHARP INCREASES in the cost of promoting car sales in Japan and the US cut heavily into the profits of Honda Motor, the Japanese car maker, in its latest year to March.

Consolidated net profits were 16 per cent down at Y81.6bn ($540.4m), or Y83.37 a share against Y98.48, despite a 10.4 per cent increase in sales to Y3,853bn.

Intensified competition forced the company to boost spending on advertising and promotion in its two biggest markets, said Honda. Sales and general overhead expenses were up 20 per cent at Y702.4bn. The group also blamed foreign exchange losses for the decline in profits.

Honda took comfort from the fact that profits rose in the final quarter of the year after being down in each of the first three quarters.

It said competition in the main auto markets would intensify this year. However, it expected to increase sales due to new plants coming on stream in both Japan and North America.

The group forecast a 9 per cent increase in current year sales to Y4,200bn and a 10 per cent rise in net income to Y90bn, on the assumption that the yen would remain firm.

Taiwanese group pays $335m for Wyndham Foods

By Our Financial Staff

A SPATE of Taiwanese acquisitions in North America has spread from resources and technology into the consumer sector with a US$335m deal under which President Enterprises, the island's largest foods group, is to buy Wyndham Foods, the third largest cookie manufacturer in the US.

President said it would fund the purchase from internal resources. The price includes existing long-term debt at its Wyndham Baking unit, formed in 1985 and built through buy-outs of eight regional cookie companies.

Bankers in Taipei say large local companies, cash-rich after years of export growth, are seeking to build international brands.

Two Japanese textile manufacturers show gains

By Martina Gannon

SUCCESSFUL diversification by some Japanese textile manufacturers offset a setback in natural textiles and the adverse effect on materials costs of the weaker yen, resulting in profit gains in the year to March.

Kanebo, a spinning company, announced a pre-tax profit rise of 10 per cent to Y10bn ($66.2m). Sales totalled Y501.9bn, up 4 per cent. Net income was Y3.4bn compared with Y2.8bn.

Kanebo diversified its operations several years ago and now holds the second largest share of the Japanese cosmetics market.

Unitika, part of the Sanwa Bank group, streamlined its business to offset a lull caused by the industry decline. Its pre-tax profits were up 8 per cent to Y8.7bn, and sales rose 5.8 per cent to Y264.4bn.

The company boosted its earnings through sales of plastics and other non-textile products.

Net income was Y3.3bn compared to Y2.8bn in the previous year.

Along with other textile groups, the two will continue to diversify into other products to absorb losses in the natural fibre market.

Kanebo expects to see a 9 per cent increase in pre-tax profits to Y11bn in 1991, with sales up 3 per cent to Y520bn. Unitika foresees its pre-tax profits rising to Y9bn, up 3.4 per cent, with sales of Y295bn.

Sharp reverse for KDD

By Robert Thomson in Tokyo

KDD, the Japanese international telecommunications company, reported a 24.7 per cent fall in pre-tax profit to Y29bn ($192m) for the year to end-March, as new competitors increased their market share of the once monopolised long-distance telephone service business.

Turnover for the year was Y259bn, up 0.1 per cent, but the company was forced to reduce charges by 14.3 per cent last November after the entry on to the market last October of two new firms, International Digital Communication (IDC) and International Telecom Japan (ITJ).

In the second half of the financial year, KDD lost an estimated 10 per cent of its market share for international telephone services, and about 30 per cent of the market for US calls. It is expected that share will be lost again this year, although the company reduced charges by a further 7.7 per cent in April.

The company said yesterday that turnover for the current financial year is expected to decline by 10 per cent to Y232bn, while pre-tax profit will fall by 40 per cent, despite an expected 30 per cent increase in international calls during the year.

Apple settles shareholder suits

By Louise Kehoe in San Francisco

APPLE Computer has agreed to pay $5.65m to settle shareholder suits filed last year when the company revealed it was seriously overstocked with memory chips purchased at premium prices during the summer of 1988 when there was a worldwide shortage of memory chips.

The suits alleged damages to shareholders who purchased Apple's stock during a 10-day period in January 1989 immediately before Apple's announcement of the memory chip problem.

"Apple continues to deny all material allegations in the complaints," the company said in a statement yesterday, "but agreed to the settlement to avoid the expense and risk of further legal proceedings and to put to rest the claims asserted in the actions."

Apple said its insurance company would pay part of the settlement, which remains subject to court approval.

The settlement ends an episode that shook confidence in Apple's management and produced its first quarterly earnings decline in three years.

Apple had attempted to beat a serious chip shortage by buying millions of memory chips at inflated prices only to see demand for high data storage versions of its Macintosh personal computers decline in subsequent months. As the memory chip shortage eased and prices declined, Apple found itself with a heavy inventory of over-priced chips.

Revealing the problem in late January 1989, Apple announced that it expected significantly lower than expected quarterly earnings. Only a week earlier Apple's management had confirmed analysts projections of an earnings increase.

Good quarter for Seagram

SEAGRAM, the Canadian distiller, plans aggressive expansion in global markets, says chairman Mr Edgar Bronfman, but is not out to recapture its title as the world's biggest drinks group, writes Robert Gibbens in Montreal.

"We don't want to be biggest by volume but the leader in profitability by concentrating on premium products," he said, after the annual meeting.

Seagram will report a good first quarter shortly and earnings for the full year ending January 31, 1991, "will be quite a bit better," he said.

Seagram is raising its quarterly dividend from US 35 cents to US 50 cents per share with the June 15 payment reflecting strong results from its drinks business.

Du Pont plans to double sales of medical products

By Peter Marsh

DU PONT, the US's biggest chemicals company, plans to double sales of its medical products division by the end of the 1990s in line with its general plans to diversify away from basic chemicals.

Dr Joe Mollica, a Du Pont vice president in charge of medical products, said in London the company planned to move in this direction "to even out some the of cyclical aspects of the basic chemicals business."

It hoped to boost considerably its pharmaceutical activities, which in 1990 are expected to account for sales of $550m, out of total medical-product revenues of $1.7bn. Other parts of the medical-products division sell X-ray film, laboratory systems and chemicals for diagnostics.

Du Pont is the world's fifth biggest chemicals business. Unlike many large European chemicals companies, it is only a small player in the $150bn-a-year international medicines industry.

Bayer and Hoechst of West Germany and Britain's Imperial Chemicals Industries – three of the world's top four chemicals businesses – all have large drugs divisions. West Germany's BASF, the other member of the Big Four, is, like Du Pont, trying to build up its drugs activities.

Dr Mollica said that much of the effort in expanding Du Pont's pharmaceuticals interests took the form of large spending on research and development. His division was spending $270m this year in this area, roughly 70 per cent of the cash directed at new medicines.

Du Pont recently finalised a licensing deal with Merck, the US company which is the world's biggest medicines business, under which the chemical company's sales force will sell some existing Merck products. These products should account for roughly $100m of Du Pont's drugs revenues this year, said Dr Mollica.

The chemicals company has, however, received a setback with efforts to develop an anti-AIDS product with Ampligen, a small US medicines company. Trials with the medicine have ended after it failed to show promise. The two companies are involved in a legal battle over allegations of breach of contract.

Dr Mollica indicated he was not totally happy with efforts by his division to build up a presence in laboratory systems for biotechnology research. He said Du Pont might sell off this part of the business in the right circumstances.

Du Pont gains annual revenues of about $200m from laboratory systems and faces heavy competition from a number of established groups. These include Applied Biosystems, a US company which is the world leader in this field.

INTERNATIONAL CAPITAL MARKETS

Gilt-edged stocks regain early losses

By Stephen Fidler, Euromarkets Correspondent, in London and Janet Bush in New York

THE UK government bond market opened as much as a percentage point lower, following Wednesday's trade statistics report for April. But the market regained ground, partly helped by firmness in the US that followed gross national product statistics showing some weakness in its economy.

However, the market was relatively quiet, as government bond markets in Europe were closed for the Ascension Day holiday and a long weekend was awaited in the UK and US.

On the London International Financial Futures Exchange (Liffe), where a moderate 23,235 contracts changed hands, the notional long gilt held the 82 level, bouncing back to finish at 82.20.

One of the benchmark long gilts, the 11¾ per cent issue maturing in 2003/07, closed the day exactly at 100, down about ¾ point on the day. As in the recent rally, the shorter end of

GOVERNMENT BONDS

the market tended to outperform longer-dated issues.

Traders said the trade figures had helped to deflate the euphoria about prospects for the UK joining the Exchange Rate Mechanism of the European Monetary System. Unit labour costs and other statistics released yesterday were interpreted as moderately negative for the market, but insufficient to push it lower.

While sterling remained relatively well underpinned against the market – it traded close to DM2.84 yesterday before falling back to DM2.83 at the close – the gilt market would be relatively well supported, traders said.

■ THE JAPANESE market traded in a very narrow range with the movements of the yen against the dollar remaining the single dominating influence on trading.

After oscillating between 7.09 and 7.005 per cent in Tokyo yesterday, the benchmark 119 bond closed in London to yield 7.025/015 per cent.

■ US TREASURY bonds registered small gains at midsession yesterday, showing little positive reaction to an unexpectedly sharp downward revision in first quarter GNP.

This was partly because the revision was due mostly to a large adjustment to the inventories component.

At midsession, the Treasury's benchmark long bond was quoted ⅛ point higher for a yield of 8.56 per cent.

First quarter GNP was revised down to a gain of 1.3 per cent from 2.1 per cent previously reported. Inventories were reported to have declined at an annual rate of $5.9bn compared with the previous estimate of a build-up in inventories of $2.6bn.

The fall in inventories in the first quarter suggests that GNP could bounce back in the second quarter, so yesterday's release was not taken as a sign of unexpected economic weakness.

The market's gains were also limited as traders waited to put in their bids for yesterday's auction of $8.5bn of five-year notes. Subscriptions were not expected to be as large as for the two-year note auction on Wednesday.

The Treasury put out a statement yesterday saying that the Resolution Funding Corp (Refcorp) would continue to sell bonds each quarter until its remaining $17bn in borrowing authority was exhausted. After that, funds to finance the bail-out of ailing thrifts would come from the Treasury's general fund.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-23	-09/32	12.65	12.76	13.62
		10.500	5/99	91-10	-13/32	12.71	12.07	12.79
		9.000	10/08	83-09	-14/32	11.15	11.02	11.67
US TREASURY *		8.875	05/00	101-31	+04/32	8.58	8.63	8.95
		8.500	02/20	99-03	+20/32	8.58	8.83	8.93
JAPAN	No 119	4.800	6/99	87.6655	+0.269	7.03	7.02	7.41
	No 2	5.700	3/07	91.3689	+0.287	6.80	6.87	7.14
GERMANY		7.750	02/00	93.5500	-	8.74	8.57	8.81
FRANCE	BTAN	9.000	02/95	98.5860	+0.072	9.91	9.95	10.01
	OAT	8.500	03/00	93.5000	+0.130	9.54	9.53	9.66
CANADA *		9.750	05/00	91.5500	+0.050	11.18	10.85	11.62
NETHERLANDS		7.750	01/00	92.3100	-	8.96	8.92	9.00
AUSTRALIA		12.000	7/99	92.2312	+0.058	13.49	13.50	13.76

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Philadelphia SE upgrades electronic system

By Andrew Freeman

THE Philadelphia Stock Exchange (PHLX) yesterday announced improvements to its computerised trading and execution systems that will allow it to compete more aggressively with other US securities exchanges.

The measures, which affect equity and options trading, will be implemented by the end of this year. Mr Nicholas Giordano, president of PHLX, said: "By making use of the most advanced technology available, we reinforce our commitment of providing all market participants with the best possible execution and price."

He said the improvements were the culmination of a five-year development plan intended to bring PHLX's data processing into line with modern technology.

Options contracts should benefit from measures introduced mainly during the third quarter of this year. Autoquote, PHLX's automatic pricing system, will be upgraded for foreign currency options and introduced on the equity options floor.

In addition, an automatic execution system will speed up reporting and dissemination of options trades.

On the equities floor, a redesign of the existing Pace automatic order-routing and execution system is expected to increase capacity by as much as 400 per cent.

Mr Giordano said there would be meetings between the US exchanges in the next few weeks to discuss the Securities and Exchange Commission's requirement that they introduce electronic links to enable multi-market option listings.

The SEC set a deadline of June 30 for the introduction of the links, which should make the options market more competitive by allowing brokers to route their orders to the exchange offering the best price on a given contract.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on May 24

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 8½ 94	175	†96⅞	97⅜	+0⅛	+0¼	9.20
B.F.C.E. 9¼ 95	150	99¾	100¼	+0⅛	+0⅛	9.23
Brit. Tel. Fin. 9½ 98	250	†99	99½	+0½	+0¼	9.49
Canada 9 96	1000	99½	100⅛	+0¼	+0⅛	9.04
C.C.C.E 9¼ 95	300	99¾	100¼	+0¼	+0⅛	9.23
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 5⅝ 93	80	96½	96⅞	0	0	6.84
Cr.Local France 6¼ 94	300	97¾	98	+0¼	+0¼	6.49
Denmark 6¼ 95	300	97½	97⅞	+0⅛	+0⅛	6.51
Denmark 7 95	400	100½	100⅞	+0⅛	0	6.83
E.I.B. 4⅞ 93	30	95⅛	95⅝	+0⅛	+0⅛	6.80
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Watchdog fights to sharpen its teeth

A series of controversial enforcement proceedings is testing the strength of Canada's leading securities regulator, as well as some fundamental tenets of the country's securities laws.

The Ontario Securities Commission (OSC) has weathered criticism over its inability to bring securities crooks to justice. Although new management has bolstered the OSC's verve, a less-than-stellar record of convictions and the dismal outlook for two current insider-trading prosecutions involving a former politician and three well-known traders suggest to its critics that the commission is missing a few teeth.

Despite a C$13m (US$11m) budget and a huge number of investigations, the OSC convicted only 10 individuals of breaching the securities act in the year to March 1990. The convictions resulted in the payment of modest, five-figure settlements or the removal of the offender's privileges to trade securities in the province.

In many cases, removal of trading rights is the toughest sanction the OSC can impose. Unless the commission has an air-tight case, it is unlikely the courts will convict an individual of insider trading, the only breach of the securities act which carries a jail term.

OSC management, headed by

***Heather Whyte** on attempts by the Ontario Securities Commission to bring more trader crooks to book*

newly-appointed securities lawyer Mr Robert Wright, is trying to bolster its enforcement powers and toughen legislation.

The regulatory tools provided by the provincial securities act "are blunt and inappropriate in many cases," says Mr Selwyn Kossuth, OSC executive director, also a newcomer. "We are trying to bring our remedies in line with requirements of the modern market place."

Under Wright's direction, the commission is also revamping its insider trading rules for the second time in three years, drafting a new protection policy for minority shareholders which includes new rules for fairness opinions, and launching an important review of the Commodity Futures Act.

With the Quebec Securities Commission and the Securities and Exchange Commission, the OSC has finalised a uniform disclosure system for US and Canadian companies which allows them to launch cross-border stock offerings by filing a prospectus only in their home jurisdictions.

Some fault for the OSC's unimpressive enforcement record rests with the Ontario provincial Government, which hamstrings the commission by imposing limits on OSC pay scales and hiring practices. But industry critics contend that greater blame lies with Canada's fragmented securities regulation.

Securities dealers must be registered with the commission of each province where they want to do business. In addition, the country's five stock exchanges each require that a dealer becomes a member of its self-regulatory association if the firm intends to trade securities on that exchange.

The lifting of industry ownership restrictions in 1987 has blurred the lines of regulatory authority. A national group of regulators, known as the Canadian Securities Administrators, is taking a growing role in co-ordinating securities policy and enforcement procedures. But there are still huge holes in the system which have provided escape hatches for people recently charged with breach of securities regulations.

One of the celebrated cases involved Mr William Bennett, former British Columbia premier and resident. The British Columbia Securities Commission laid insider-trading charges against him and the case was tried in a British Columbia provincial court.

Canada's federal law prevented Ontario from prosecuting Mr Bennett despite the trades having been executed in Ontario. Ontario regulators are still trying to force Mr Bennett to appear at an administrative hearing which could result in him being prohibited from trading securities there.

The commission has also spent about C$3m over the past three years gathering evidence of securities act breaches against Mr Michael Biscotti, former director of trading at Canada's leading investment dealer RBC Dominion Securities, and two other institutional traders. But challenges to the commission's powers are expected to prolong the prosecution for months if not years.

"A total review of the Act has to be undertaken," says Mr Kossuth. "But that's one of those projects on our long-term wish list."

INTERNATIONAL CAPITAL MARKETS

Belgium nears dollar issue amid quiet on Ascension Day holiday

By Andrew Freeman

THE Ascension Day holiday all but shut down the Eurobond market yesterday as most European houses closed their doors. Traders reported minimal secondary market activity and syndicate managers concentrated their efforts on persuading borrowers to seek funds next week. Belgium is thought to be close to finalising a large dollar issue.

In a quiet new issue market, Postipankki brought a FM200m five-year issue for Rautaruukki Oy, the Finnish steel company. The bonds were priced at 101⅞ with a 13½ per cent coupon and met reasonable demand.

The lead manager was quoting the paper at less 1⅞ bid, a discount equivalent to full underwriting fees. An official said there had been good Far Eastern interest, which suggested that the deal had

INTERNATIONAL BONDS

been marketed there before launch. Proceeds were swapped, but there were no details.

Towards the close in London, UBS Phillips & Drew broke syndicate on its C$125m 10-year Bell Canada deal. An official said the decision had been taken after further rallies on the Canadian government bond market had driven the re-offered spread to around 90 basis. The launch spread was 83 basis points.

In free trading, UBS P&D was quoting the paper at 99.40 bid, implying a spread of some 89 basis points over Canadian Treasuries. An official said placement had been hampered by the European holiday, but added that the deal had partly been aimed at UK fund managers wanting to play the spread relationship between the US and Canadian markets.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
YEN						
Banque Nat. de Paris(a)♦	14bn	8	101⅛	1992	1⅛/⅝	Nippon Credit Int.
San Paolo Bank(b)♦	10bn	7.3	101⅝	1993	1⅝/1	Fuji International Fin.
FINNISH MARKKA						
Rautaruukki Oy(b)♦	200	13½	101⅞	1995	1⅞/1¼	Postipankki
US DOLLARS						
Fiat Finance & Trade(c)♦	40	15	101.30	1991	1/⅝	Chase Investment Bank

♦Final terms. a) Non-callable. Redemption linked to Nikkei stock index. Unlisted. b) Non-callable. c) Issue increased from $35m(original amount $30m). Dual-currency bond. Borrower option to redeem in Lire at L1213.

BNZ back in black after crash

By Terry Hall in Wellington

BANK OF New Zealand yesterday reported net profits of NZ$121.1m (US$69.6m) for the year to March, indicating it was on the path to a sustained recovery after the financial crisis wrought by excessive lending and the 1987 stock market crash.

In the previous year the company incurred losses of NZ$648.8m and required a NZ$200m injection from shareholders such as the Government. Over the past 12 months the bank has wrestled with its problems under a new management and reconstituted board.

Staff numbers have been slashed, property assets sold and branches throughout the Pacific liquidated in a rationalisation drive. This was made more difficult by a protracted economic recession in New Zealand and increasing problems with its large exposure to the Australian market where there have been further corporate casualties, requiring additional write-offs.

Mr Syd Paisley, chairman, said the profit showed the bank was "back in business." As a sign of confidence, BNZ is reinstating a 2 cent dividend for the year. Nothing has been paid since the 3 cents midway the previous year. The bank's main shareholders – the Government with 51 per cent and Capital Markets, an associate of the merchant bank Fay Richwhite, with 31 per cent – will take shares in lieu.

In the latest year, directors have written off NZ$182m and allowed a further NZ$193m for doubtful debts. Over the past two years BNZ has allocated a total of NZ$1.5bn towards doubtful debts.

Total assets increased by NZ$1.57bn during the year to NZ$17.9bn: deposits rose NZ$1.04bn to NZ$16.2bn and advances NZ$2.12bn to NZ$14.48bn.

Emphasis has been placed on the bank's capital ratios, which now exceed both international guidelines and those of the Reserve Bank of New Zealand. Shareholders' funds increased by NZ$708m to NZ$1.08bn.

According to Mr Lindsay Pyne, chief executive, the profit turnround within a year was a significant achievement in an intensely competitive market. The restructuring made necessary by inefficiencies and operating diversions in the past was starting to show benefits and would become more apparent in the current year.

He said the bank's margins were being squeezed by tough competition, but warned BNZ's competitors about being overconfident. "BNZ is further ahead in its growth plans than many of our competitors realise."

Australia contributed NZ$70m of operating profits, down from NZ$185m. Total operating income was NZ$968.4m, down from NZ$1.06bn, but operating expenses were cut to NZ$675.3m from NZ$703.9m. There was a tax credit of NZ$26.2m against a larger NZ$311.9m credit last time.

Treasury warns over futures inaction

By Peter Riddell, US Editor, in Washington

THE BUSH Administration has rejected strong Congressional opposition to its proposals to shift supervision of stock index futures to the Securities and Exchange Commission from the Commodity Futures Trading Commission.

Mr Robert Glauber, the Treasury under-secretary for domestic finance, told a House subcommittee that detailed plans would be submitted to Congress in early June. Final modifications were now being made after discussions with market participants, he said.

He said the Administration believed that, without action now to ensure that the markets for stocks, stock options and stock index futures were regulated in a consistent and a co-ordinated manner, "we are more likely to see minor events trigger major market disruptions like the breaks in October 1987 and October 1989 – and the appropriate regulatory tools will not be in place to help contain the risk to the country's financial system."

The proposal to shift regulation of stock index futures has been strongly opposed by the CFTC, the futures markets in Chicago and the agriculture committees which supervise them on Capitol Hill. Support for the change in Congress is apparently less vocal, though Mr Nicholas Brady, the Treasury Secretary, and Mr Glauber have started lobbying, warning of what could happen if no action was taken.

In separate Congressional testimony yesterday, Mr Richard Breeden, SEC chairman, said a commission study had found that index arbitrage and other programme trading "significantly accelerated and exacerbated" last October's stock market decline. The aggregate level of index arbitrage then was higher than during the October 1987 crash.

This conclusion contrasts with a CFTC analysis that such index arbitrage and programme trading were not significant factors. Mrs Wendy Gramm, CFTC chairman, said during yesterday's hearing that she questioned "some of the results" of the SEC study.

Oslo Bourse looks reform in the eye

Karen Fossli on problems the Norwegian authorities need to tackle

The Oslo Bourse, last year one of the top performers, is contemplating important reforms to its structure which will determine how efficiently its equity market functions.

As the deadline for the European Community's single market approaches, Norwegian companies are increasingly anxious about their prospects for raising capital, for expansion and to improve their equity ratios. Their ratios are on average 6 percentage points below those of their counterparts in the Organisation for Economic and Cultural Development, with a mean of about 20 per cent.

The bourse must tackle three key issues to improve the companies' prospects:

● Liquidity: to access risk capital it will be important for Oslo to have a secondary market which functions to ensure the performance of its primary market. Currently, Oslo's liquidity is at best variable.

● Trading system: a process of decentralisation began last autumn with the bond market. Bourse officials believe that decentralisation allows more efficient trading and provides cost-cutting advantages to the brokers. Critics disagree.

● Credibility and professionalism: Oslo brokers are accused of abusing information, and the market has a credibility problem which stems from a high degree of insider trading.

Four powerful brokerage firms drive two-thirds of Oslo's activity. There are efforts to correct this concentration, although it is argued that decentralising the bourse's structure threatens to undermine those efforts.

These issues were discussed last week at an important seminar in Oslo on raising risk capital. The seminar, arranged by the Norwegian American Chamber of Commerce (NACC) on its 75th anniversary, included a host of distinguished international participants.

On the subject of liquidity, Mr Nigel Wilson, a former bourse official now a partner with Arthur Andersen, the accountancy firm, warned that unless depth was established in long-term market liquidity, Oslo

LISTED COMPANY SHARE ISSUES 1988-89 (NKr m)

	1988	1989
Bank	526	1,659
Insurance	165	956
Industry	3,259	2,507
Shipping	241	1,743

could not hope to achieve its full potential for raising risk capital in the primary market.

"It is crucial for Oslo to design an efficient trading system in the secondary market or the primary market will be put at risk. Liquidity is the oil in the capital market's machine," Mr Wilson said.

His argument is that if liquidity can be stabilised in the secondary market it will steady prices which in turn will strengthen investor confidence and their willingness to invest. This, he believes, will press down the cost of raising capital while improving the flow of risk capital through the primary market.

To this end, it is important that a stable and predictable government policy remains in place. Although Oslo is said to be an independent, self-owned institution, it is subject to governmental supervision in which the market is partly state-regulated, in contrast to, for example, the New York Stock Exchange (NYSE), but the predictability of government officials may be tough to guarantee.

"Continued speculation about changes in the framework for the capital markets in the absence of clear policy has added to uncertainty, restricting development of market liquidity," Mr Wilson warns.

Mr David Shields, a member of the NYSE and the chief executive of Shields & Company, a New York-based investment services firm, argues passionately against decentralising the Oslo bourse for it creates an adversarial pricing mechanism and obstructs the flow of orders.

"Raising risk capital cannot be done unless there exists the right market structure which encourages investors to return. When you permit decentralisation you allow brokers to internalise the order flow which then becomes obstructed," he says.

"A centralised system which includes a market maker would strengthen the responsibility towards the market place, for you would have dealers with affirmative obligations to make continuous markets. Decentralisation will allow the brokers to position themselves between the buyers and the sellers, while centralisation promotes competition at the point of sale."

Mr Shields' message struck at the heart of Oslo Bourse officials' argument that a decentralised system will allow orders to go right into the system, shown as orders, before transactions are completed. As it is now, Oslo operates with a "fictitious" order book which obstructs the possibility of seeing a real order flow.

Norway's brokerage firms are permitted to hold a limited portfolio of listed shares which is equivalent to their equity capital. They are also permitted holdings of unlisted shares of 25 per cent of their equity capital.

"This small amount explains why . . . [we] do not have a real market maker system in Norway, which is admittedly a drawback in raising risk capital," says Mr Erik Jarve, the president of the Oslo Stock Exchange.

The credibility problem is the third serious issue facing Oslo. Because Norwegian companies represent 32 per cent of the ownership of Oslo's stock capital, meaning there is a high degree of cross-shareholdings, limitations are imposed on the total supply of risk capital to the market while introducing a strong possibility of insider trading.

Mr Jan Erik Langangen, the president of Storebrand, Norway's largest insurance company, points out there is much work to be done to improve Oslo's professionalism. In addition, he said, "some of Oslo's broker's abuse information leaves investors unprotected."

This problem, it is suggested, could be exacerbated by decentralising Oslo's structure for it will become more difficult to monitor information.

As Mr Jarve pointed out, in the end it will be Oslo's credibility which will influence its ability to raise risk capital.

However, if that credibility is diminished by what may transpire in a decentralised trading system, the Oslo Bourse may have to rethink its strategy.

Turkish banks suffered hard times in 1989

By Jim Bodgener in Ankara

DIFFICULT times were seen by Turkish banks in 1989, compared with the previous year, according to the latest annual report of the Turkish Banking Association.

Overall, profits increased by only 9 per cent to total TL1,980bn ($859m at end-1989 exchange rates), while inflation in 1989 registered 62.8 per cent, according to the semi-official Anatolian Newsagency.

The legacy of over-liquidity, inherited from fierce competition when interest rates were freed in 1988, was blamed. This pushed interest rates up to a peak of 85 per cent.

Although rates declined through 1989, banks with large branch networks were worst hit. These proliferated when their prime function was to soak up deposits and channel them through a few selected institutions to largely corporate borrowers.

But recession hit corporate credit ratings hard in 1989, while other avenues such as foreign exchange rates lagged behind inflation. Smaller spreads from these especially undermined foreign institutions.

Total bank credit amounted to TL46,000bn compared with deposits totalling TL62,000bn, and reserves totalling TL12,500bn, increases respectively of 66 per cent, 62.5 per cent and 96 per cent. The last increase reflects stiffer mandatory reserve ratios.

Despite this, however, outstanding debts in the banking system decreased by 13 per cent to TL693.3 bn, according to the report, though state banks were still plagued by a disproportionately large 71 per cent share.

This year the situation has improved, reflected in better interbank lending rates.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday May 24 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Wed May 23 Index No.	Tue May 22 Index No.	Mon May 21 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (199)	869.67	-0.8	13.33	5.21	9.08	15.78	876.63	878.99	867.52	975.96
2	Building Materials (27)	1082.31	-1.2	14.57	5.49	8.48	21.22	1095.65	1100.42	1078.44	1245.44
3	Contracting, Construction (36)	1357.33	-0.9	17.71	6.05	7.37	33.20	1369.72	1364.90	1349.29	1693.15
4	Electricals (10)	2513.21	-0.5	11.32	5.33	10.87	61.43	2524.85	2511.17	2456.10	2813.29
5	Electronics (29)	1848.12	-0.7	9.83	4.01	13.17	19.33	1861.87	1872.87	1874.64	2256.10
6	Engineering-Aerospace (8)	469.18	-0.4	13.83	4.96	8.62	9.31	470.93	473.47	462.70	0.00
7	Engineering-General (43)	477.18	-0.2	11.96	5.25	10.10	8.17	478.33	477.04	467.16	0.00
8	Metals and Metal Forming (6)	491.11	-0.6	23.92	6.35	4.71	0.53	493.98	488.70	481.86	551.23
9	Motors (16)	349.24	-0.1	15.78	6.45	7.40	9.56	349.52	347.20	341.13	322.82
10	Other Industrial Materials (24)	1571.56	-1.1	11.28	5.07	10.24	33.09	1589.39	1604.60	1588.52	1604.49
21	CONSUMER GROUP (178)	1257.56	-0.3	9.59	3.98	12.93	12.56	1261.42	1270.78	1256.89	1214.70
22	Brewers and Distillers (21)	1501.45	-0.5	9.97	3.85	12.15	12.62	1508.58	1505.32	1484.07	1314.96
25	Food Manufacturing (20)	1063.25	-0.4	10.59	4.47	11.67	16.98	1067.58	1086.42	1078.47	1065.18
26	Food Retailing (16)	2418.96	-0.3	9.39	3.35	13.68	22.97	2427.17	2419.20	2391.96	2219.81
27	Health and Household (14)	2550.00	-0.6	6.78	2.73	17.57	20.36	2564.42	2631.59	2597.71	2247.92
29	Leisure (32)	1421.81	+0.6	10.08	4.28	12.08	18.28	1412.89	1409.95	1403.42	1652.28
31	Packaging & Paper (12)	585.22	+0.5	12.54	5.79	10.19	11.83	582.11	576.52	571.91	571.69
32	Publishing & Printing (16)	3336.97	-0.2	10.04	5.38	12.55	50.81	3342.21	3346.87	3311.54	3547.83
34	Stores (35)	781.93	-0.4	11.44	4.83	11.27	2.25	785.14	785.14	777.08	806.48
35	Textiles (12)	493.58	+0.3	13.11	7.24	9.70	13.26	491.98	492.65	480.31	543.79
40	OTHER GROUPS (105)	1150.57	+0.6	11.18	4.98	10.75	10.37	1143.53	1149.82	1139.35	1104.89
41	Agencies (17)	1614.72	+1.5	6.24	2.45	19.38	14.99	1590.09	1593.18	1577.28	1402.49
42	Chemicals (23)	1244.98	-0.2	11.40	5.31	10.26	28.52	1247.04	1256.36	1242.30	1271.14
43	Conglomerates (14)	1596.51	-1.1	10.56	6.19	11.38	14.41	1614.88	1624.44	1611.55	1597.89
44	Transport (13)	2227.18	......	11.25	4.50	11.23	26.91	2227.12	2231.09	2212.38	2459.84
46	Telephone Networks(2)	1180.69	+2.3	10.75	4.34	12.09	0.00	1153.60	1160.00	1146.37	1128.73
47	Water(10)	1926.01	-0.8	18.09	7.03	6.12	0.00	1940.96	1955.71	1936.07	0.00
48	Miscellaneous (26)	1749.94	+1.6	11.87	4.85	9.61	18.70	1722.00	1732.59	1725.21	1485.57
49	INDUSTRIAL GROUP (482)	1140.52	-0.1	11.01	4.60	11.07	13.32	1142.08	1148.54	1136.04	1144.32
51	Oil & Gas (18)	2259.14	-1.3	12.01	5.38	10.99	46.43	2289.63	2314.48	2263.27	2017.32
59	500 SHARE INDEX (500)	1234.32	-0.3	11.14	4.71	11.06	15.95	1238.08	1245.98	1230.45	1218.75
61	FINANCIAL GROUP (108)	776.01	-1.0	-	5.92	-	18.66	783.75	795.99	783.27	738.12
62	Banks (9)	815.72	-0.9	20.12	6.59	6.51	25.62	822.76	847.58	834.50	734.49
65	Insurance (Life) (7)	1357.98	-0.6	-	5.41	-	36.94	1365.96	1377.24	1344.20	1051.14
66	Insurance (Composite) (6)	650.74	-1.6	-	6.35	-	19.43	661.19	676.60	667.89	579.38
67	Insurance (Brokers) (7)	1066.18	-0.3	8.12	6.11	16.23	27.41	1069.40	1067.54	1054.62	990.56
68	Merchant Banks (7)	440.84	+0.1	-	4.32	-	4.85	440.55	439.53	432.50	328.04
69	Property (47)	1076.35	-1.5	8.23	4.32	15.57	8.35	1092.98	1086.01	1070.57	1310.03
70	Other Financial (25)	308.43	-0.4	14.45	7.24	9.07	4.54	309.67	310.67	304.55	371.37
71	Investment Trusts (67)	1196.97	-0.1	-	3.25	-	10.73	1197.72	1199.85	1184.32	1149.37
91	Overseas Traders (5)	1375.21	+0.1	8.97	6.65	13.66	42.87	1373.58	1366.04	1332.71	1363.56
99	ALL-SHARE INDEX (680)	1124.61	-0.4	-	4.85	-	16.34	1129.04	1137.50	1122.64	1100.44

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 23	May 22	May 21	May 18	May 17	Year ago
FT-SE 100 SHARE INDEX♣	2277.1	-10.3	2295.4	2269.3	2287.4	2311.3	2282.1	2269.1	2284.4	2136.6

FIXED INTEREST

	PRICE INDICES	Thu May 24	Day's change %	Wed May 23	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	115.18	-0.20	115.41	-	4.71
2	5-15 years	120.27	-0.18	120.48	-	4.96
3	Over 15 years	123.31	-0.32	123.71	-	4.77
4	Irredeemables	140.48	-0.13	140.66	-	6.12
5	All stocks	120.61	-0.20	120.85	-	4.91
	Index-Linked					
6	Up to 5 years	144.49	-0.23	144.83	-	1.49
7	Over 5 years	137.54	-0.39	138.08	-	1.38
8	All stocks	137.95	-0.38	138.47	-	1.38
9	Debentures & Loans	98.00	-0.03	98.03	-	3.92
10	Preference	73.95	+0.11	73.87	-	2.52

	AVERAGE GROSS REDEMPTION YIELDS		Thu May 24	Wed May 23	Year ago (approx.)
	British Government				
1	Low	5 years	11.32	11.22	9.71
2	Coupons	15 years	11.03	10.95	9.32
3		25 years	10.92	10.86	9.15
4	Medium	5 years	12.37	12.30	10.89
5	Coupons	15 years	11.51	11.48	9.75
6		25 years	11.11	11.09	9.30
7	High	5 years	12.48	12.42	11.00
8	Coupons	15 years	11.82	11.74	9.96
9		25 years	11.42	11.34	9.46
10	Irredeemables†		10.90	10.88	9.15
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	5.29	5.18	3.80
12	Inflation rate 5%	Over 5 yrs.	4.17	4.14	3.69
13	Inflation rate 10%	Up to 5 yrs.	4.21	4.10	3.03
14	Inflation rate 10%	Over 5 yrs.	3.99	3.96	3.52
15	Debs &	5 years	14.53	14.53	11.86
16	Loans	15 years	13.50	13.50	11.51
17		25 years	13.07	13.07	11.17
18	Preference†		12.51	12.53	10.20

♣Opening index 2287.9; 9 am 2276.9; 10 am 2271.5; 11 am 2278.0; Noon 2282.6; 1 pm 2292.4; 2 pm 2290.4; 3 pm 2284.3; 4 pm 2276.4; 4.10 pm 2276.8; (a) 1.26pm (b) 10.08am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. CONSTITUENT CHANGE: London United Investment (66) has been deleted. NAME CHANGE: Bowater Industries (31) to Bowater.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	85	12
Corporations, Dominion and Foreign Bonds	1	5	18
Industrials	330	352	900
Financial and Properties	117	203	422
Oils	13	34	42
Plantations	0	1	9
Mines	28	35	102
Others	65	54	129
Totals	555	769	1,634

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	128	110	ABI Leisure 10p	126		R4.7	3.3	5.0	8.2
-	F.P.	-	59	58	♣Cahill May Roberts Ir10p	58		L024%	2.7	3.8	10.1
650	F.P.	-	50	47	Castle Cairn Inv.	47		-	-	-	-
-	F.P.	-	14	11	Do. Warrants	12		-	-	-	-
100	F.P.	-	97	91	Dartmoor Inv. Tst. 10p	97		K9.8	-	13.4	-
50	F.P.	-	48	47	EFM Java Trust	47		-	-	-	-
-	F.P.	-	21	18	Do. Warrants	21		-	-	-	-
‡	F.P.	-	148	119	F & C Germany Inv. Tst.	126		-	-	-	-
-	F.P.	-	64	48	Do. Warrants	49		-	-	-	-
-	F.P.	-	46	31	First Philippe. Inv. Tst.	31		-	-	-	-
-	F.P.	-	22	10	Do. Warrants	14		-	-	-	-
-	F.P.	-	14	7	Fisher (Albert) Wrrts.	8		-	-	-	-
100	F.P.	-	98	95	Fleming Euro Fledgling	97		-	-	-	-
-	F.P.	-	40	23	Do. Warrants	35		-	-	-	-
500	F.P.	-	99	95	French Property Tst	98		-	-	-	-
-	F.P.	-	39	32	Do. Warrants	38		-	-	-	-
135	F.P.	-	143	132½	Invergordon Dist. 10p	137	-1	b5.0	2.3	4.9	12.1
500	F.P.	-	505	500	Jupiter Euro Inv Units	500		-	-	-	-
†	F.P.	-	203	201	Northern Investors £1	201xr		Nu8.0	1.0	5.3	-
-	F.P.	-	28	21	Paribas French B Wrrnts	28	+3	-	-	-	-
$100	F.P.	-	99	95	Siam Select. Growth Tst.	99		-	-	-	-
-	F.P.	-	35	30	Do. Warrants	35		-	-	-	-
-	F.P.	-	45	31	Templeton Emerg. Wrrnts.	45	+1	-	-	-	-
-	F.P.	-	10	6	Trust of Prop Wrrnts	10		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	90	♣Bluebird Toys 12pc Cv. Uns. Ln. 2005	90	
-	F.P.	-	85p	5p	Courtauld Group 10¼pc (Net) Cv.Cm.Pf	8pd	
102.45	F.P.	-	106½	102½	Dartmoor Inv Tst 6¾pc RPI-Lnk Db 2005	106¼	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings May 21
● Last Dealings June 1
● Last Declarations Aug. 16
● For settlement Aug. 28

Calls: Audit & General, Colorol, Control Secs., Highland Dist., Rook Group, Time Products, Unigate. Puts: Butte Mining, Astra Mng., Monarch Res.

For rate indications see end of London Share Service

LONDON TRADED OPTIONS

THE FUTURES market played a more subdued role yesterday against a background of less active stock markets. Equity market makers continued to dominate trade in the FT-SE future contract but the trend of the futures had less effect on the underlying market than in some recent sessions.

In the traded options market, business was more active than expected for the day after the expiration of May share option contracts. The sector saw a number of special features which enlivened trading operations.

Turnover in traded options on the London Traded Options Market dipped sharply, however, from Wednesday's near-60,000 contract to only 31,557 yesterday. The two-way trading pattern in yesterday's market was reflected ina split of 15,156 calls and 16,401 puts.

The FT-SE 100 Index June contract traded 11,741 contracts, down from 17,854 in the previous session. Some equity market makers are believed to be still short of stock in the underlying Footsie stocks but there was no repetition of the near-panic of recent trading sessions.

At the opening, the contract slipped briefly to a discount but rallied later to trade for most of the day at a comfortable premium against the underlying index. At the close, the June future was showing a premium of 29 points, just slightly in excess of the latest calculations of fair value.

Among share options, British Telecom topped the actives list with 2,321 contracts traded as the market responded to the company's results. Hillsdown, second in the list with 1,737 contracts, found interest, but after that trading levels died away with only Hanson (1,585) seeing significant business.

A trading straddle opened up in Hanson, with the November 220 puts traded against the calls by several London specialist houses.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*470)	460	22	38	53	18	20	25
	500	5½	20	33	47	49	50
	550	2½	9	-	95	98	-
ASDA (*103)	100	9	13	17	4½	6½	10
	110	5	8	12	10	13	14
	120	2½	5	-	19	21	-
Brit. Airways (*206)	200	9	17	22	7	10	12
	220	3	8½	13	22	23	24
SmKl Beecham A (*529)	500	40	57	73	7	15	20
	550	13	30	45	32	37	45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Unilever (*663)	650	36½	61½	80½	11	16½	20½
	700	10½	33½	51½	39½	43	46
Ultramar (*339)	330	25	38	50	10	15	17
	360	9	23	33	25	30	33

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero (*523)	500	52	62	82	14	20	25
	550	22	33	52	35	42	42
BAA (*405)	390	30	41	50	9	14	17
	420	13	26	35	25	30	32
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Amstrad (*68)	60	10	14	16½	1	3	4½
	70	3½	8½	11	5	7½	9
Barclays (*539)	500	48	62	77	2	12	15
	550	13	30	45	18	33	33
Blue Circle (*243)	240	10	20	27	7	12	15
	260	4	13	-	22	24	-
British Gas (*213)	200	16	19	25	1	5½	7
	220	4	8½	15	8	16	18
Dixons (*125)	120	9	15	20	3	6	10
	130	3½	9	14	8	12	14
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

May 24 Total Contracts 31,557 Calls 15,156 Puts 16,401

FT-SE Index Calls 49,294 Puts 7,447

Euro FT-SE Calls 32 Puts 120

*Underlying security price. † Long dated expiry months

UK COMPANY NEWS

Hoylake places half of BAT stake

By Nikki Tait

THE LAST rites in the attempted bid assault on BAT Industries by Sir James Goldsmith's Hoylake consortium were performed yesterday as the former bidder placed out more than half of its 1.25 per cent stake in the tobacco-based conglomerate.

Hoylake said last month that it would not renew a bid for BAT. Its £13.5bn offer had lapsed while the consortium tried to surmount the US regulatory problems arising from the potential change of ownership of Farmers Group, BAT's Los Angeles insurance subsidiary. The task had looked increasingly difficult in the wake of an adverse ruling from the Californian insurance department in early-April.

Hoylake said that about half its 19.1m shares in BAT had been sold via Salomon Brothers, the US investment bank. Some of the investors in Hoylake had elected to take shares in BAT rather than cash, and the rest of the stake was being distributed directly to them.

Hoylake was formed for the purpose of the bid and will now be wound up.

Hoylake declined to say which of its shareholders had held on to BAT shares. Aside from the three principals – Sir James, Lord Rothschild, and Mr Kerry Packer, and a number of companies associated with them – Hoylake's investors included Axa-Midi Assurances, the French insurance group, and a group of wealthy private individuals who had backed Sir James's "unbundling" plan. Axa-Midi had wanted to buy Farmers from Hoylake if the bid succeeded.

However, the Rothschild camp did confirm yesterday that it had taken around half its entitlement in the form of BAT shares.

The disposal, according to Hoylake, was made at "very close to the ruling market price" when the transaction took place shortly after lunch. At that stage, BAT shares were standing at about the 690p level. Salomon is understood to have sold a significant proportion of the shares on the US market.

BAT, which was not informed about Hoylake's disposal, said only that it was relieved to see the stake placed and split up, because it "removed an element of uncertainty which had been overhanging the price."

BAT shares closed at 703p yesterday, up 19p.

Hoylake bought its stake at 648p per share. However, it has already received and sold a stake in Argos, the retail business which was recently demerged from BAT – worth about 40p per BAT share. Hoylake has said its bid costs were in the £35m-£40m range.

Falling house prices leave Westbury lower

By Andrew Taylor, Construction Correspondent

THERE IS unlikely to be any immediate improvement in the British housing market which is in its worst state for 25 years, Mr Richard Fraser, chairman and chief executive of Westbury, the Cheltenham-based housebuilder, warned yesterday.

Pre-tax profits of the group tumbled by 22 per cent, from £36.1m to £28.11m, in the 12 months to end-February.

Mr Fraser said the group had done well to maintain sales of 2,266 homes last year, 33 fewer than in the previous 12 months. The average selling price rose by 14 per cent to £77,900.

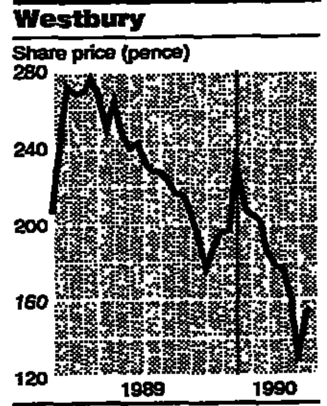
Prices, however, fell during the second six months of the year to average £74,500. They also did not take account of increased selling costs, said Mr Fraser. These had risen sharply as a result of sales incentives including mortgage subsidies and part exchange deals.

The effect was to add £3,200 to the cost of selling each home, reducing pre-interest margins in the second half to just over 16 per cent.

Westbury sells its homes as far north as Stafford and as far east as Berkshire and Hampshire. Its strongest markets are in the south west and south Wales.

Almost 70 per cent of its homes are of the terraced variety, selling mainly to first-time buyers – a market which has held up more strongly than other parts of the housing market.

Group borrowings have risen from £34m to £51m pushing up the interest charge from £2.82m to £7.98m. Gearing at the year end, however, was still only equivalent to 48 per cent of shareholders' funds compared with 37 per cent at the end of the previous year, Mr Fraser said.



At the end of last year Westbury's landbank was equivalent to 7,500 plots with options for a further 7,000 plots – enough for six years sales at current rates, said the group. The average price paid for each plot was only £20,000 it stated.

"If we are suffering with a reasonable balance sheet, a good landbank bought at low prices and selling mainly to first time buyers, you can imagine what some other companies must be feeling," said Mr Fraser.

"Confidence in the market-place is at a very low ebb. Continuing apprehension about further increases to already high interest rates makes it extremely difficult for us to predict the outcome for the year ahead" he added.

Turnover was 13 per cent higher at £174.4m. Earnings per share slid from 50.8p to 36.6p. A recommended final dividend of 5.75p makes a total of 9p (8.5p) for the year.

● **COMMENT**

Westbury is in better shape than Countryside which published its results a day earlier, showing a 60 per cent fall in pre-tax profits during the six months to the end of March. Countryside operates in south east England, among the worst hit housing markets in the country, and has an exposure to a rapidly weakening commercial property market. Westbury's gearing is less than half the 110 per cent of Countryside. Nonetheless the prospects for any housebuilder look pretty grim this year. Westbury, assuming no further hikes in interest rates, should be capable of making £15m this year. This puts it on a prospective p/e of 7.5, about average for the sector and unlikely to improve in the short term.

Family reduces Thorntons stake

The Thornton family, which founded the chocolate retailer of the same name, has reduced its stake in the group for the first time since its stock market flotation in 1988, writes Andrew Hill.

Warburg Securities, one of Thorntons' advisers, has placed about 8.6 per cent of the group's shares with institutional investors on behalf of certain members of the family and family trusts. The disposals take the overall holding down from about 70 per cent to just over 60 per cent.

The family has agreed not to sell any more shares before June 1991. The group said the bulk of the shares sold had been disposed of by family members not directly involved in the running of the group.

Mecca puts restaurant chains up for sale

By David Churchill, Leisure Industries Correspondent

MECCA LEISURE yesterday continued its piece-meal sale of assets in a bid to reduce its high gearing by announcing it was seeking offers for its branded restaurant chains Sweeney Todd's and Prima Pasta.

Both chains are relatively small and Mecca is hoping to get between £10m and £15m from the sale, although some analysts suggested last night that in present market conditions the restaurants could fetch as little as £5m.

Sweeney Todd's consists of 17 mid-market restaurants mainly in London offering "an American style multicultural menu". Prima Pasta is a 14-strong pizza and pasta chain, also based mainly in London.

The decision to sell the restaurants is part of the strategy of Mr Michael Guthrie, Mecca's chairman, to reduce its gearing by disposing of certain assets over the next few months.

Some £255m is hoped to be raised in this way, although analysts now believe this may be an optimistic figure.

The company's high level of gearing, caused by its takeover of the Pleasurama group in late 1988, led to lower-than-expected pre-tax profits of £91.1m in its last financial year. This sparked off a sharp fall in Mecca's share price and a down-rating of other leisure stocks.

It also led to speculation that the Rank Organisation might mount a full-scale bid for Mecca.

Mecca is seeking offers for the restaurants by June 13 through its advisers Samuel Montagu.

Last week Mecca announced a similar proposal for offers for its 16-strong Character Hotels division which it hopes will bring in between £70m and £100m.

Other assets up for sale are understood to include Mecca's casino and amusement machine operations.

Lloyds Chemists adds 74 outlets with £23.2m acquisition

By Vanessa Houlder

LLOYDS CHEMISTS yesterday consolidated its position as the UK's second largest retail chemist and drugstore chain by buying Cross & Herbert, the seventh largest UK chemist chain, for £23.2m cash.

The acquisition is being financed by an open offer of 8.37m new shares to existing shareholders at 160p per share and £9.8m of bank borrowings. After the announcement, the share price fell from 177p to 171p.

Cross & Herbert operates 73 chemist stores and one drugstore, which will expand Lloyds' operations to 429 chemists and 145 drugstores.

It will take Lloyds, which is predominantly based in the Midlands and the north of England, into Devon, Somerset, south west London and north east London.

Mr Allen Lloyd, chairman and managing director, said there was no overlap with Lloyds' existing stores and no shops would be closed, although there would be immediate cost savings through the closure and subsequent sale of Cross & Herbert's head office and distribution centre.

Lloyds said it would try to increase sales and margins through greater buyer power, the extension of its product range and the introduction of its own label ranges, improved marketing techniques, extended opening hours and a refurbishment programme.

Mr Lloyd said there was scope for more acquisitions in view of the fragmentation of the market.

When measured by the number of prescriptions filled, Lloyds has a 4 per cent share of the market, compared with a 13 per cent share for Boots and a 24 per cent share for the top seven companies, he said.

In the year to September 1989, Cross & Herbert made operating profits of £1.38m on turnover of £26.91m.

Net current assets less long-time liabilities are expected to be £1.12m at the time of acquisition and any variation will affect the cost price.

Gerrard & National tops £8m

By David Lascelles, Banking Editor

GERRARD & NATIONAL, the discount house and financial services group, produced a strong recovery in profits last year in spite of the continuing pressures of high interest rates.

The net profit for the year to April 5 was £8.52m, up from £1.7m the year before when Gerrard was badly squeezed by rising rates.

Mr Brian Williamson, chairman, stated that "this has been a difficult year but the group remains strong and was amply capitalised for its activities.

Costs have been reduced and the group is well-placed to benefit from a modest,if not imminent, fall in interest rates."

Gerrard gave no details of its results, but Mr Williamson said the bulk of the profits came from discount house operations.

GNI, the financial futures and commodities broking arm, increased profits by 70 per cent from the previous year's £2m, and Gerrard Vivian Gray, the stockbroker, made a positive contribution to the group, though this was offset by interest payments resulting in a small overall loss.

The group's gilt-edged market maker made a slight loss, but Mr Williamson said he was optimistic about the firm's prospects.

The emphasis during the year had been on cutting costs, which were down 20 per cent, creating a bonus incentive scheme for staff and raising the group's return on capital.

As a result Gerrard had decided to close its office in Hong Kong and cease its small commercial banking activity.

Mr Williamson said he thought the next move in UK interest rates would be downwards, though it would be premature to expect this in two or three months.

The group's strategy continued to be to concentrate on London where its natural markets lay.

The final dividend is 16p, making a total of 19p, a rise of 2.7 per cent.

The board intends to reduce the large disparity between the interim and final dividends in the coming year.

B&C appoints Warburg to seek buyer for Exco

By David Owen in London and Ian Rodger in Tokyo

BRITISH & Commonwealth Holdings, the stricken financial services group, yesterday appointed SG Warburg to seek buyers for Exco International, the money broking subsidiary which is its "crown jewel."

The announcement comes a month after the group's notification that its merchant banking operations were to be sold. The company is embroiled in negotiations with creditors over proposals to sell all its major businesses to reduce debt.

B&C also stated during a meeting with a shareholder action group yesterday that it intends to hold an EGM "at an appropriate time."

A spokeswoman later said that an EGM could be expected in June or early July. She characterised the meeting, attended by Sir Peter Thompson, B&C chairman, as "perfectly amicable."

B&C bought Exco, where chief executive Mr John Gunn first made his mark, for £637m in late 1986. The current break-up proposals are believed to have indicated that it might fetch £230m in an orderly liquidation.

Analysts have estimated the price tag at up to £325m. Some form of management buy-out is thought to be an option under consideration.

Among Exco's assets is 33 per cent-held Nittan AP, a joint venture with Nihon Tanshi, a large Japanese money market company. Nihon in turn holds a £4.4m chunk of B&C's 7¾ per cent convertible unsecured loan stock 2000. Nihon said it bought the stock to cement its business relationship with B&C.

Bennett & Fountain in talks

By Nikki Tait

Bennett & Fountain, the electrical goods retailer, yesterday revealed that it was involved in talks which could lead to a capital injection.

It made its statement in response to recent share price movements. The price had already risen from the 30p level at the beginning of the month, and gained another 3p to 40p yesterday.

B&F said it was "having talks with a third party who is interested in subscribing for new shares in the company at a moderate premium to the current market price."

The company declined to elaborate on the statement itself, but Mr Stephen Coleman, a director, said that the discussions were at a "fairly early stage".

The company, which was extremely acquisitive in the late-1980s, has run into the problems of mounting debt, the retail downturn and an acquisition – Edwin Lees – which proved sour.

At July 1989, the company had borrowings of £35m, against net assets of £22.2m, and made a £7.88m loss before tax. Its latest set of interims – to end-December – showed a trading profit of £3.11m, but only after including a surplus of £3.85m arising on the "restructuring in the retail division".

However, Mr Coleman denied that the talks had arisen because of any result of pressure from the group's bankers. "A number of people have been approaching us," he claimed.

Lopex chairman to quit ahead of restructure

By John Thornhill

MR JOHN Castle, chairman and chief executive of Lopex, is to leave the advertising group he helped to build up.

In an abrupt statement, Lopex said the board had agreed with Mr Castle to bring the date of his proposed retirement forward one year to next week. Mr Castle is in his mid-50s.

No-one at Lopex was available to comment yesterday.

The company claimed that as a result of the changes in the size and composition of the Lopex Group the board had concluded that a change in its organisation and structure was required.

"Mr Castle's contribution to the growth of Lopex has been considerable and the board believes that these changes are an essential step towards further developing the Lopex Group," the press release cryptically stated.

Lord Marsh, deputy chairman and a former chairman of British Rail, has been appointed executive chairman pending the appointment of a new chief executive.

VPI starts action against former New York chief

By Andrew Hill

VPI GROUP, the public relations company burdened with problems in the US, has started legal action against Mr Don Carter, the former head of its New York proxy solicitation subsidiary.

Mr Carter was formally sacked two months ago after pleading guilty to charges of grand larceny and income tax evasion in the New York Supreme Court. VPI is expecting him to be sentenced on June 6, but Mr Carter's lawyers have managed to postpone the date once already.

Mr Angus Maitland, VPI's chairman, said the UK company's legal complaint against Mr Carter was in two parts: alleged racketeering fraud – using the US mail to send false information – and alleged misrepresentation of the business and financial condition of the proxy solicitation operation, the Carter Organisation, which was sold to VPI for a total of $76m in 1987.

VPI has been trying to settle out of court, but was unable to come to a satisfactory arrangement with Mr Carter. Speaking from New York, Mr Maitland said yesterday that he hoped there was still a possibility of reaching an agreement before Mr Carter was sentenced, but he added: "I think as time goes by there is less chance of achieving a settlement."

It is difficult to assess what VPI might win through formal legal action, because racketeering damages are awarded by the court, and can be trebled.

The British group is still negotiating with the State of New York to try to persuade it to drop criminal investigations into allegations that the Carter Organisation had padded bills to clients.

NEWS IN BRIEF

BENSON GROUP: Mr Richard Phillips has acquired 125,000 shares at 8p apiece, plus options on a further 1m, and has been appointed executive chairman. Former chairman, Mr John Wheeler, has sold 6.22m shares (13 per cent of equity) and remains on the board in a non-executive capacity. Other members of the Wheeler family and connected trusts have sold 2.78m shares (5.8 per cent) and Jean-Marc Cumming, director, sold 1m. Apart from Mr Phillips' holding, shares were acquired by four institutional holders.

EUROPEAN LEISURE has declared its offer for Midsummer Leisure wholly unconditional after receiving acceptances representing 80.1 per cent of the group's shares. Most of Midsummer's shareholders opted for the partial cash alternative. For remaining shareholders, this option closes today.

WILTSHIRE BREWERY is to purchase six pubs in the West Midlands from Premier Midland Ales and the Pitfield Pub Company for a combined consideration of £1.1m in shares and cash. The Pitfield buy comprises The Ship & Blue Ball in Shoreditch, London, and rights to the Pitfield brand names and products. Pitfield's Dark Star was voted Britain's best beer by CAMRA in 1987.

UK COMPANY NEWS

W'hampton & Dudley nears £14m

By Vanessa Houlder

HIGHER INTEREST costs and reduced property sales tempered a strong trading performance at Wolverhampton & Dudley Breweries for the six months to April 1.

Pre-tax profits for the period rose by 6 per cent to £13.81m from turnover 7 per cent higher at £82.14m (£76.75m).

Trading margins increased from 18.1 per cent to 19.1 per cent as a result of price increases, cost controls and rising volumes.

Mr David Thompson, managing director, said current trading was good and beer barrelage was ahead. "We see a bright future", he added.

The key feature of the first half was substantial investment in order to reap the benefits of market liberalisation.

There was heavy spending on beer brands, pubs, improved packaging plant at the Wolverhampton brewery and in the development of its branded restaurant business.

Mr Thompson said it was too early to comment on how the three-week old guest beer market was shaping up.

The Banks's beer brand increased its market share in both the on and off-trade sector. Harp lager outperformed market trends, with a higher growth rate in the free trade sector, and Premium lager advanced strongly. Mr Thompson said their experience bucked the assumption that in a mild recession people would trade down to lower quality drinks.

The group recently carried out the UK launch of Tourtel, which is the largest selling low-alcohol lager in Europe, owned by BSN, the French drinks company.

Property profits, which are based on recent valuations rather than historical costs, fell from £261,000 to £30,000.

Financial costs increased from £1.52m to £2.45m. Borrowings peaked at £37.5m at the end of February and interest costs would be in line with earlier indications, the company said.

Earnings per share increased by 4.6 per cent to 13.7p and the interim dividend is increased to 3.7p (3.2p).

The total dividend for 1990 is promised to be not less than 9p.

● COMMENT

Wolverhampton's shares have fallen back some 15 per cent this year thanks in part to a perception that the company has temporarily lost its quality image. That, in turn, is because investors expect its traditionally impressive growth rate to be more than halved to an estimated 6 per cent this year. But even if this year's likely pre-tax profit of £33m fails to inspire, the company's longer term potential is unimpaired. Margins are continuing to rise and the company yesterday toned down its pessimism about the slowdown in the growth of sales.

Moreover, it stands to reap the benefit of this year's investment in marketing, assuming that its independent approach to the guest beer market is vindicated.

The share price was unchanged yesterday at 360p, which puts the shares on a prospective p/e of 11.

Young Brewery static at £4.62m

PRE-TAX profits were static at Young & Co's Brewery in the year to March 31.

On turnover up 13 per cent at £51.98m the result was unchanged at £4.62m.

The south London-based brewery had warned at the half way stage that the latter part of the year could be affected by the squeeze on retail spending.

Mr John Young, chairman, pointed out the rise in demand over the 12 months during which barrelage rose by 3.2 per cent.

Four new pubs were being added to the tied estate and work would start on at least two more in the summer.

The Bridge Hotel at Greenford, Middlesex, the first in the new hotels division, is scheduled to be opened officially in June.

Trading profits rose from £4.78m to £5.39m, but gains from property sales fell to £298,497 (£799,755).

The final dividend has been increased by 0.5p to 6p, making a total of 11.5p (10.2p).

Earnings per share amounted to 24.11p (21.54p).

Fine Art's better-than-expected £25.7m puts 9p on shares

By David Churchill, Leisure Industries Correspondent

FINE ART Developments, the greetings card manufacturer and distributor, increased pre-tax profits by 14 per cent from £22.63m to £25.71m in the year to March 31 in spite of the slump in consumer spending.

The results were better than expected given a pessimistic profits warning earlier this year by the company. The shares closed 9p up at 213p.

Turnover increased by 16 per cent from £220.66m to £256.08m.

The final dividend of 6.6p makes a total of 8.9p (7.75p) for the year.

The company said that the profits and turnover growth was achieved in spite of "trading being adversely affected by the difficult economic conditions, particularly in the second half of the year."

Mr Keith Chapman, chairman, added that it was "inevitable that the group's progress in the short term will be impacted by the effects of high interest rates and other adverse economic factors."

He added that while interest rates remained high, "expansion by acquisition will only be pursued where the opportunities are very attractive and fit well with the group's long-term strategy."

The agency mail order division recovered in the first half of last year from the 1988 postal strike but the momentum did not carry through to the important spring season. The company said that the division's contribution to profits was "below our expectations."

The greetings cards and paper products division was also held back by the poor performance of the Papertree retail chain, which lost about £2m.

The acquisition of Hestair Hope, an educational supplies distributor and stationery manufacturer, last December did not add materially to the full-year results. The company said it did not expect a significant profits contribution in the current year because of a planned reorganisation of its activities.

During the year the company pulled out of mail order trading in Australia and sold or closed several other businesses in Australia and the UK.

As a result of these disposals and closures, there was an extraordinary item, after associated tax relief, of £3.7m.

● COMMENT

The postal strike hampered Fine Art's results for 1988-89 and the company then had the misfortune to run into the adverse effects of the downturn in consumer spending. This had sharp repercussions on its mail order and direct mail businesses as well as its Papertree retail chain which is understood to be up for sale if a buyer can be found in current market conditions. Gearing also rose sharply – from 22.9 per cent to 48.6 per cent – largely as a result of the Hestair Hope acquisition, regarded as a longer-term strategic buy rather than making much impact in the current year. However, the loss of the contract to service Marks and Spencer's home furnishings mail order operations has been offset by the joint development of Rainbow Home Shopping with the West German group Otto Versand. The company's tough-minded approach to disposals of poor performers has impressed analysts, but the trading environment suggests only modest growth in pre-tax profits in the current year to £30m, putting Fine Art on a prospective multiple of about 8.5.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Albion, Consolidated Co Bullfontein Mine, Griqualand West Diamond Mining, Morland, Shaftesbury, Thornton (GW), Venture Plant.

Finals- British-Borneo Petroleum Syndicate, Castings, Jarvis Porter, Lowndes Queensway, Mayflower.

FUTURE DATES

Interims-	
French (Thomas)	June 5
NFC	June 4
Sidlaw	May 31
Warringtons	June 5
Finals-	
Brown (N)	June 5
Ferguson Industries	June 11
Portsmouth & Sunderland	June 8
Regalian Properties	June 13
Walker & Staff	June 29

BHH shares fall 17p as buy-out talks abandoned

By Andrew Bolger

SHARES IN BHH, the property group, fell 17p to 60p yesterday after talks on a proposed management buy-out were terminated, reflecting the troubled state of the sector.

In February the shares jumped to 120p, valuing the group at £46.7m, after it was announced that Mr David Fitzgerald, chairman, was seeking funds for a buy-out.

BHH said yesterday that valuations of the company's properties had been made by two firms of valuers who were separately instructed by the independent directors and the buy-out team and extensive talks had been held with potential sources of finance.

In the last two years industrial property has been providing higher returns than office or retail property.

The company managed to sell its residential properties when the market was high in 1988.

Barrage of counter-claims in battle for Globe

By John Thornhill

THE FIERCE battle between the British Coal Pension Funds and Globe Investment Trust escalated yesterday as both sides issued strongly-worded circulars attacking the others' arguments.

The pension funds criticised Globe's defence document claiming that it was highly emotive and misleading and should be treated with the utmost caution.

In particular, they focused their fire on Globe's "spurious and illusory" revaluation of its net asset value. In its defence document issued last week Globe showed a 12.05p surplus to the book value of its nav at the end of March and claimed that at May 11 its nav stood at 225p.

Mr Paul Whitney, chief executive of CIN Management which runs the funds, attacked this valuation. "Our biggest concern is the 225p figure. If they liquidated their portfolio there is no way that they would realise 225p in assets."

The funds argued that the true value of Globe's assets was no more than 207.7p per share and could be as low as 199.1p.

The funds's circular dismissed the adjustments to Globe's nav as "simply creative accounting".

Globe's advisers reacted strongly to this suggestion saying that this was a "monstrous slur" on the trust's directors and its auditors.

The trust defended its 225p valuation and claimed the funds' offer failed to value fully its fund management operations, debenture stock, and dividend.

The circular argued that Globe's shares had outperformed the investment trust sector and the majority of the 100 largest UK companies over the last five years.

Globe also criticised the funds' record of taking over investment trusts. "The Coal funds say they support the investment trust sector. With friends like this, who need enemies?"

Globe's annual report will be released today.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Airflow Stream ......fin	4	July 3	4	6	6
Archer (AJ) ......int	3.15	Aug 16	3	-	8
Blick ......int	2.5	Sept 5	2.4	-	6.6
British Telecom ......fin	7.15	Sept 11	6.25	11.8	10.5
Chiltern Radio ......int	1	July 27	-	-	-
Chrysalis ......int	2	Aug 10	2	-	4
Compass ......int	3.45	July 27	3	-	9
Dobson Park ......int	1.9†☆	Aug 13	1.9	-	5.75
Elliott (B) ......fin	3.1†	Aug 1	2.5	4.35	3.6
Elswick ......fin	0.4†	-	0.3	0.6	0.45
Fine Art Devs ......fin	6.6	July 6	5.75	8.9	7.75
Fulcrum Inv Tst ......int	3	June 29	2.55	-	7.8
Gerrard National ......fin	16	July 2	15.5	19	18.5
Greyfriars Inv ......int	2	June	-	-	-
Kelsey Inds ......int	8	-	4.125	-	22.5
MEPC ......int	5.25	July 17	4.75	-	17
Smith Estates § ......fin	2	-	-	3	-
Verson Intl ......fin	0.6†	Aug 6	0.4	0.81	0.575
Warner Estate ......int	3	-	2.5	-	7.5
Westbury ......fin	5.75	-	5.5	9	8.5
Wolv & Dudley ......int	3.7	July 6	3.2	-	8.2
Young and Co's ......fin	6	July 10	5.5	11.5	10.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option.

UK COMPANY NEWS

Interest charges rein in Compass gain to £13.7m

By John Thornhill

COMPASS GROUP, the contract catering and services company, lifted pre-tax profits by 17 per cent, from £11.7m to £13.7m, in an eventful six months to April 1.

Last month, Compass effectively abandoned its bid for Sketchley, the industrial services and cleaning group, by not raising or changing the terms of its its £88m all-paper offer. Costs of £800,000 incurred in the course of the bid were treated as an extraordinary charge.

Turnover rose from £167.1m to £175.6m. Operating profits were strongly ahead at £18m (£14.6m), but pre-tax profits were held back by higher interest charges of £4.3m (£2.9m).

Mr Gerry Robinson, chief executive, said: "Our figures underline the fact that we have gone on trading very well with no real interruption because of the Sketchley bid.

"We have had an on-going steady performance from both the main businesses. We are almost boring in this regard" he said.

The contract catering and security interests improved operating profits by 15 per cent to £12.4m. Most of the division's contracts came from companies and institutions, which, Mr Robinson claimed, were increasingly interested in contracting out services in recessionary times to reduce costs. "There is an increase in inquiries when times get tough," he said.

The healthcare services division showed a 72 per cent advance in operating profits to £4.3m. The division operates nine acute care hospitals. Another hospital in Bedford has been bought since the end of the period for £1.9m.

A *less spectacular performance* was evident at the building services division, which recorded static trading profits of £1.3m. But Mr Robinson said this figure disguised steady underlying growth and the division had a full order book for the rest of the year.

Earnings per share rose from 11.6p to 13.4p. An interim dividend of 3.45p (3p) is declared.

● COMMENT

The tilt at Sketchley succeeded in raising Compass's profile, but only lowered its rating as the market feared the proposed move into largely unknown business territory. Even though nothing materialised, Compass's shares still slithered from their superior rating to a market average and it may *take a while yet for the company* to clamber back on to its premium pedestal. Pre-tax profits for this year may rise to £30m, putting the company on a prospective multiple of about 11.5. That seems a fairly safe evaluation of its prospects, given the dependability of *Compass's two main divisions.* But the one element of doubt concerns the building services business. Although the division appears to be holding up solidly at the moment, doubts must linger about its endurance next year and this may well hinder the company's return to the high ground.

Verson surges 56% to £2.47m

By Charles Leadbeater, Industrial Editor

VERSON INTERNATIONAL, the West-Midlands based machinery maker, yesterday reported a 56 per cent increase to £2.47m in annual pre-tax profits and predicted that growing demand flowing from Japanese investment would offset slower growth in the UK car industry.

Turnover, more than 70 per cent of which comes from overseas, rose from £42.4m to £69.1m in the year to January 31. Operating profit more than *doubled to £4.8m (£1.95m).* The company mainly manufactures metal forming machines such as presses.

Interest costs rose by almost £1m to £1.27m, partly because of higher interest rates and the timing of progress payments on long contracts. The company incurred almost £750,000 in exceptional charges arising from the closure of Verson Wilkins' Darleston plant, the building of a new factory and the refurbishment of another factory belonging to Bronx, another subsidiary.

Mr Tim Kelleher, chairman, said it would next year reap the gains from its £15m investment programme as well as exceptional gains from the disposal of unwanted assets.

The two acquisitions during the year, British Federal and Metform Engineering, contributed about £10m to turnover, but most of the increase came from organic growth through the company's expanding network of marketing offices.

Verson has also added a Dallas office to its two others in the US and opened a second Australian office to expand its network of international sales offices which embraces India, Hong Kong, Spain and Belgium. Mr Kelleher said one of the next moves would be to open an office in eastern Europe. Last year South Korea was its largest overseas market.

Mr Kelleher predicted strong growth in the order book for next year, which already stands at £80m, particularly from automotive investment in the US and France.

Orders from white goods manufacturers and construction groups were down markedly, but demand from UK steel processors was holding up, Mr Kelleher said.

He added that in the long *run the company* expected a healthy flow of orders from investment in the UK by Honda, Nissan and Toyota, the Japanese car manufacturers. "In the next five years the UK will enjoy the heaviest auto industry investment the world has seen for the past 20 years."

He also predicted expanding opportunities for the UK machinetool industry as West German capital goods manufacturers concentrated on the refurbishment of East German industry.

The company plans further acquisitions to turn itself into *a manufacturer of complete* turnkey production systems.

Cash holdings boost Blick to £2.65m

By David Owen

INTEREST receivable on fast-growing cash balances helped Blick to report a 7 per cent advance in interim pre-tax profits in spite of weak demand in UK industrial markets.

Profits at the Swindon-based supplier of clocking-in equipment and radio pagers rose to £2.65m in the six months to March 31, against £2.48m.

The contribution from net interest increased three-fold from £63,000 to £196,000. Essentially the group has no borrowings. Turnover, meanwhile, edged up to £10.98m (£10.78m).

The company said that effective cost controls and stock reductions had lifted cash balances to £5.6m at the period end, compared with from £2.6m 12 months earlier. Lead times had been cut by the establishment *of a factory in Belgium* by a Japanese supplier.

The high level of business failures and rationalisations within certain industries precipitated what the group termed a significantly higher level of contract terminations than in previous years.

According to Mr Alan Elliot, chairman, the termination rate had reached 7 per cent or about the level attained in 1980-81. "If it went over 10 per cent we would be worried", he said. A lump sum is normally payable to Blick by customers in the event of termination.

Gross future rentals receivable under contract rose 25 per cent from a year-earlier to £45.2m (£36.1m), to be paid over an average of some seven years.

Taxation for the half-year increased to £785,000 (£715,000). According to Mr Ian Scott-Gall, managing director, the effective tax rate is expected to rise from just *under 29 per cent to* just under 30 per cent.

Earnings per share were higher at 9.03p (8.72p). An interim dividend of 2.5p (2.4p) is declared, with the board intending to recommend a final dividend of at least 4.5p (4.2p) subject to unforeseen circumstances.

● COMMENT

Small companies, the customers of which are having to cope with high interest rates, are not exactly the flavour of the month at present, as Blick's share price (in common with that of many of its peers) bears testament. With its strong cash flow, solid track record and virtually debt-free balance sheet, however, Blick must rank among the pick of the bunch – even if it is immune from hostile takeover. Seen in this light, a prospective p/e of about 9 looks distinctly *undemanding.* A sound defensive bet, but those seeking an early windfall should not hold their breath.

NEWS DIGEST

Airflow Streamlines falls to £3m

AIRFLOW STREAMLINES, the cab manufacturer and motor dealer, saw pre-tax profits fall by almost £200,000 to £3.2m in the year to February 28. Turnover was 12 per cent higher at £66.14m, against £58.8m.

Directors said the reduced demand for cabs had continued in the first two months of the present year, but for some product ranges forward schedules indicated a significant increase in the middle of the year.

Earnings per share came out at 23.82p (24.93p) and the directors are recommending an unchanged final dividend of 4p for a same-again total of 6p.

Decline in net asset value at Fulcrum

As at April 30, the net asset value of Fulcrum Investment Trust was 13.45p per capital share, down from the figure of 17.67p a year earlier.

Nav of the income shares was virtually unchanged at 42.9p (42.91p).

Earnings per income share for the six months to end-April emerged at 3.79p (3.48p) and the interim dividend is raised from 2.55p to 3p.

Fact seeks £2.2m for new premises

EW Fact, a USM-quoted training company, yesterday announced a £2.2m rights issue to finance new teaching premises.

The company is buying a property near Kings Cross, London, for £2.24m to cope *with its planned increase* in student numbers and is proposing to expand its accountancy and professional courses.

The rights issue of up to 2.11m shares will be on a 2-for-5 basis at 105p per share. After the issue, Mr Peter Linacre, chairman of Caird Group, will own 10.84 per cent of the shares and will join the board

Greyfriars hits £255,000

Greyfriars Investment Company, a provider of development capital, achieved a pretax revenue of £255,416 for the six months ended March 31 – no comparative figures were provided by the company.

Greyfriars joined the main market last September and is paying an interim dividend of 2p. The company intends to pay a 6p total, as forecast

Earnings emerged at 2.08p and net asset value amounted to 84.3p per share.

UK COMPANY NEWS

European expansion for Tarmac

By Andrew Taylor, Construction Correspondent

TARMAC, Britain's biggest construction and building materials group, has made its first aggregates acquisition in continental Europe.

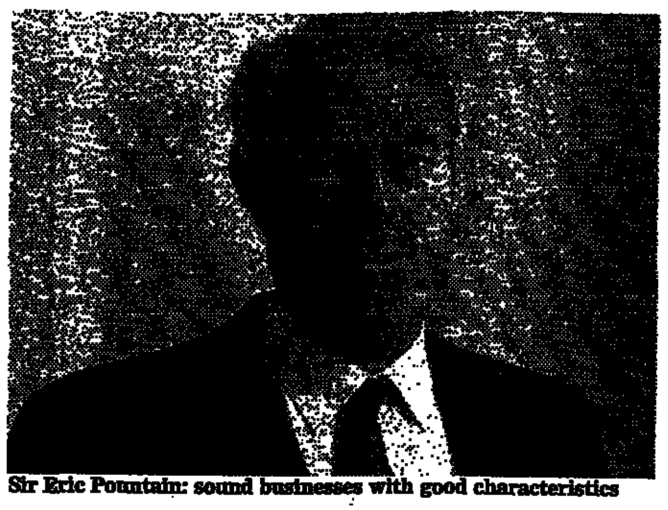
The move comes shortly after the purchase by Blue Circle, Britain's biggest and the world's third-largest cement manufacturer, of its first cement stake in continental Europe.

Tarmac said yesterday it was paying £20m to acquire Barriaud, a hardstone and limestone company in west central France, and for a 51 per cent stake Sablieres de la Neste, a sand, gravel, limestone and ready-mixed concrete company in south west France. Both are family-owned businesses.

Blue Circle last week announced it had agreed to pay £93.3m for a 50 per cent stake in Denmark's sole cement manufacturer.

British building materials companies already have a strong presence in France. Steetley is the biggest aggregate producer there with about 10 per cent of the domestic market, ahead of Ciment Francais with between 7 per cent and 7.5 per cent.

RMC, another large British building materials group, is one of the two largest concrete producers in France, while BPB is the country's biggest producer of plasterboard.



Sir Eric Pountain: sound businesses with good characteristics

Redland, the diversified UK building materials company, recently acquired a medium-sized aggregates company in the Ile de France region around Paris.

Tarmac said its acquisitions would make it only a small player in the French aggregates market compared with Steetley.

Mr Jack Mawdsley, chief executive of Tarmac's quarry products division, said: "Together the investments will give us a combined output of about 3m tonnes of aggregates a year, which gives us a solid start to build up our plans."

Tarmac is one of the largest aggregate and ready-mixed concrete producers in the UK, as well as the country's largest housebuilder. It also owns sizeable aggregate and ready-mixed concrete businesses across the US.

The group said it had decided several years ago that it needed to expand into continental Europe following its move into the US. It was looking for potential investments there across a wide range of contracting and building materials businesses.

Its purchase 12 months ago of Ruberoid, the British roofing company, had brought with it roofing interests in Belgium, the Netherlands and France.

Barriaud, based at Aigurande, owned 11 quarries with reserves of more than 20 years. It would, said Tarmac, benefit from a series of national road and rail improvements which would pass through its area.

Sablieres de la Nestein operates in the Haute Pyrenees region and has three sand and gravel operations, a limestone quarry and a small readymixed concrete business.

A 20 per cent increase in trunk roads in France is planned by the year 2000. About 30 per cent of main roads are to become motorways.

There are also plans to increase the size of the French high speed rail network, all of which will require substantial amounts of aggregates and concrete.

Sir Eric Pountain, Tarmac's chairman, said: "These are two sound businesses having the good characteristics of many companies we have bought in the UK and which are now the established backbone of our quarry products division. The division is now firmly established in mainland Europe and I expect to see it grow strongly."

Provisions contain Chrysalis recovery

CHRYSALIS Group returned to profit in the six months to February 28, but provisions of £909,000 for unrealised losses on dollar deposits held the pre-tax figure to £487,000.

This compared with a £2.1m loss at the entertainment and leisure group in the previous first half and an £11.52m deficit in the year to August 1989 due to problems at its US records business.

Mr Chris Wright, chairman, said the upturn reflected increased profits from the communications division and MAM Leisure as well as from the UK-based music publishing companies and Lasgo's wholesale export division.

In the records division – a joint venture with Thorn EMI since the latter took a 50 per cent stake last July – UK sales jumped to £14m, producing an operating profit of £2.3m. However, losses at the US company of $500,000 restricted the division's contribution to £100,000. In 1989 US activities lost $21.7m.

Mr Wright said that the fortunes of the US company had improved significantly in the third quarter.

The interim dividend is unchanged at 2p. The deficit per share was 0.11p (5.2p).

B Elliott reaps the benefits of restructure with rise to £7.63m

By John Thornhill

B ELLIOTT, the machine tool and engineering company, recorded a 73 per cent increase in 1989-90 pre-tax profits as it continued to benefit from a restructuring programme.

Taxable profits for the 12 months to end-March grew from £4.44m to £7.63m on turnover 53 per cent ahead at £124.81m.

Several acquisitions made during the year chipped in contributions but the underlying organic growth was estimated to be between 25 per cent to 30 per cent.

All of Elliott's four divisions increased trading profits and operating margins improved from 6.8 per cent to 8.1 per cent.

The specialist engineering division registered £2.29m (£1.32m) in operating profits in spite of some mixed trading conditions. An improvement in exports helped offset the softness in the UK economy.

After some recent acquisitions, Elliott's electrical engineering interests were said to have achieved "critical mass" and more than doubled profits to £2.84m (£1.05m).

The machine tool division recorded strong growth in exports and important sales were made in West Germany and Japan.

A collaboration agreement has also been signed with a machine tool manufacturing enterprise in the Soviet Union and the company sees "new and exciting" opportunities in the region. Operating profits grew strongly to £3.11m (£1.64m).

Elliott's South African businesses improved productivity and profitability contributing £1.93m (£1.57m).

Earnings per share advanced from 10p to 12.5p and the recommended final dividend of 3.1p brings total payments for the year to 4.35p, a 21 per cent increase.

Mr Michael Frye, chairman, said he viewed the current year with a degree of ambivalence. The UK economy continued to be soft but Elliott was recording increasing demand from overseas.

But he added: "We think that we are now beginning to see more good news coming in than bad news."

Elliott's shares firmed 4p to 88p yesterday.

Dobson Park improves 12% to £10m

A 12 per cent expansion in interim profits was yesterday reported by Dobson Park Industries, the mining equipment, industrial electronics and toys group.

Figures covering the half year to March 31 showed profits of £10.16m pre-tax, up from £9.06m in the corresponding period of the previous year.

The largest contribution to profits came from industrial electronics which put in £4.36m (£3.16m) as a good performance from the group's smaller European subsidiaries offset quiet trading conditions in the US.

The once-predominant mining equipment operation achieved profits of £4.16m, up marginally from £4.09m last time, while power tools, still recovering from adverse effects of relocation from Ealing to Peterborough, declined slightly to £1m (£1.14m).

Overall margins in the toys business suffered from reduced consumer spending; although sales improved 4 per cent, profits dived from £861,000 to £428,000.

Group turnover totalled £129.7m (£114.76m). A maintained interim dividend of 1.9p is payable from earnings of 5.87p (5.71p) per 10p share.

NEWS DIGEST

Print side behind Elswick rise

A JUMP of some 50 per cent in operating profits in its printing and packaging division helped taxable profits at Elswick rise 34 per cent to £2.42m in the year to end-January.

Mr Bill Cross, chairman, said the present year had started well with the problems at Falcon Cycles apparently over and he was optimistic progress would continue.

The result was achieved on turnover of £47.42m (£40.04m) and compared with profits of £1.8m. Earnings per share were 1.67p (1.27p) or 1.58p (1.19p) diluted. A final dividend of 0.4p is proposed making a total for the year of 0.6p (0.45p).

Spong makes £0.77m purchase

Spong Holdings has acquired Thorpac Ltd from Thorpac Group for £766,000 cash. The business markets and distributes kitchen products and cookware. In the year to end-March operating profits were £59,000.

Archer advances to £650,000

Profits of AJ Archer (Holdings), a Lloyd's managing agent, rose from £382,000 to £650,000 pre-tax for the half year ended March 31.

The results benefited from a £285,000 rise in interest income to £370,000. Turnover amounted to £1.17m (£1.04m). Earnings emerged at 1.7p (1p) and the interim dividend is lifted to 3.15p (3p).

The company warned that the current less favourable underwriting conditions would affect the results for the 1990-91 and 1991-92 years.

Advertising rise helps Chiltern Radio

An increase in local and national advertising and the opening of a new station helped Chiltern Radio show a 48 per cent increase in interim taxable profits in its first report since joining the main market in December.

The company also announced the launch of Supergold service yesterday.

On turnover of £1.89m (£1.54m) profits for the six months to March 31 were £403,000 (£281,000). Earnings per share were 4.5p (3.5p) and the interim dividend is 1p.

James Smith Estates up 54%

James Smith Estates, a property investment company floated on the USM last summer, achieved a profits rise of 54 per cent to £1.14m pre-tax for the year to end-March.

Earnings emerged at 5.07p (3.43p) and shareholders are to receive the forecast dividend for the year of 3p via a recommended final of 2p.

Gross rental income rose from £1.06m to £1.45m. At the year-end, properties held by the company were revalued by the directors at £28.08m.

YEARS LIKE 1989 DEMONSTRATE WHY EXPERIENCE COUNTS.

Richard Hornby
CHAIRMAN

With 16% of all mortgage business in the UK, Halifax Building Society can draw on more experience than any other lender in the housing market. In spite of difficult market conditions in 1989, we turned that experience to producing a set of excellent results.

Our assets went up 18.6% to £47.9 billion, our gross profit also improved by 16% to £534 million. Most tellingly, net mortgage advances increased to £6.2 billion.

But financial results are not the only way we judge our performance.

The satisfaction of our customers is of most importance to us and so in 1989 we again improved and extended the services we offer.

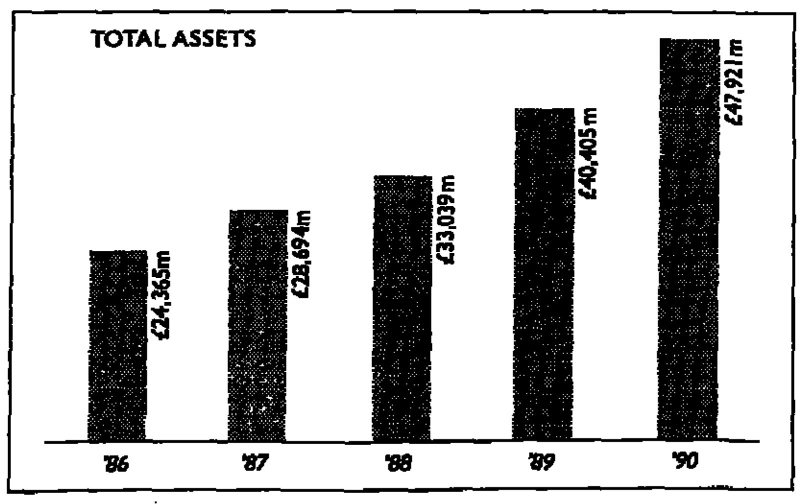
Our primary business is in housing and savings and the market last year was one of the toughest for years – for customers and building societies alike.

Investment and Savings

1989 saw further innovations in our portfolio of investment products.

We introduced a new premium rate product – Capital Xtra – and a regular income account – Monthly Income Xtra.

The market's response to this enhanced product range was particularly encouraging with over £23 billion flowing into our branches.



Banking Services

Perhaps the most significant launch of the year however was our MAXIM current account, which in the first three months alone attracted over 100,000 customers.

With MAXIM, the Halifax can now offer a full personal banking service from cheque book to credit card, from personal loans to travellers cheques.

Later this year, Halifax will launch its own SWITCH card facility which allows customers to pay for goods and services without having to write a cheque.

Housing

During 1989, we undertook several initiatives in the housing market.

For example, we introduced a special discount for first-time buyers so helping those seeking to make their first step onto the housing ladder.

Our range of low start schemes was also improved and widened in scope and better terms on our Apex mortgages gave a helping hand to those wanting larger loans.

All of these moves help to keep us at the forefront of the mortgage market and we are committed to continued development of our Home Buying Service.

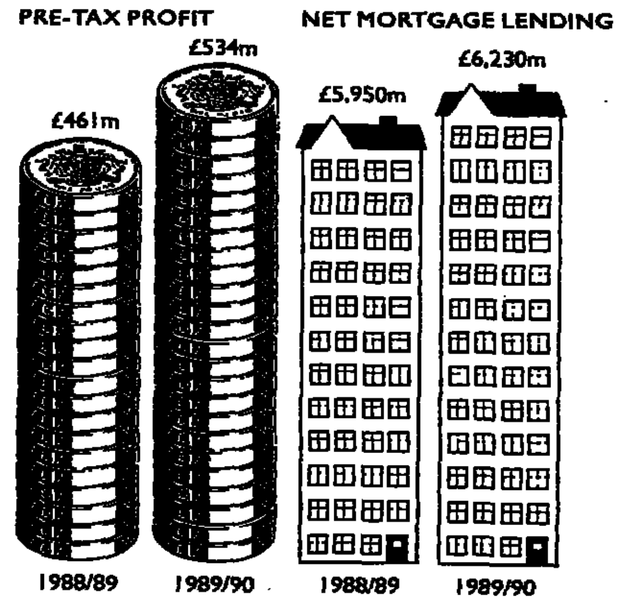
During the year, Halifax Property Services consolidated its position in an extremely difficult market. It will emerge leaner and fitter and well able to compete in the housing market of the future.

Customer Service

The major progress we have made in improving our branch facilities continues to free branch staff from routine administration allowing more time for discussing needs and offering advice to customers, tailoring financial packages to suit them.

A further major development during the year, in our quest to improve on customer services, was the extension of our Financial Services operation, offering a wide range of insurance products.

Our link with Standard Life, Britain's leading life assurance office, will help us extend our portfolio into Unit Trusts and PEPs.



Building on Strength

These results, initiatives and innovations show experience at work helping the Society to consolidate its position as the leading mortgage lender and to pursue its aim to be the No.1 provider of personal financial services in the UK.

HALIFAX

THE CONTENT OF THIS ADVERTISEMENT IS BASED UPON THE STATEMENT MADE BY THE CHAIRMAN, RICHARD HORNBY, AT THE SOCIETY'S ANNUAL GENERAL MEETING, 21st MAY 1990.
HALIFAX BUILDING SOCIETY, TRINITY ROAD, HALIFAX, WEST YORKSHIRE, HX1 2RG.

FINANCIAL TIMES SURVEY

The 1990s will be a critical decade for London's Docklands, and observers are still divided between sceptics and enthusiastic supporters. **John Brennan** looks at the phenomenon of 'Dockblindness' and at what this may cost Britain, in national and in international terms

Jellied eel and other myths

ONE in five overseas visitors now takes a trip through Docklands, according to the most recent survey by the London Tourist Board.

However, while foreign tourists add a journey east from Tower Bridge to their itinerary to see what all the fuss is about, David Hardy, third Chairman of the London Docklands Development Corporation (LDDC), confirms a level of "Dock-blindness" among senior business people in Britain that is, he says, "exasperating."

"I have never known anyone who sees it who hasn't been impressed by what is happening," says Mr Hardy, "and yet I do have conversations all the time with people who will tell me about all the problems attached to the area – and who then admit that the last time they went down there was in 1956 to see the Star of Burmah or some such berth at Millwall."

Sir Nigel Broackes, founding Chairman of the LDDC, spent a great deal of his time acting as tour guide to sceptics whose image of London's East End, and of Docklands in particular, was of another world populated by Cockney dockers and militant councillors who devoured jellied eels and developers' proposals with equal gusto.

Sir Christopher Benson, Sir Nigel's successor as chairman, had the different, but no less complex task of guiding sceptics around the idea that Docklands was little more than a casino for land speculation, and towards the still heretic view that it was, indeed, an accessible business location.

"Dock-blindness" is as prevalent as ever today, in part because so many senior business people in Britain still have never been there. They have heard about, but have yet to see, what ten years of development work has done to London's Docklands.

This compounds a more colourful set of preconceptions: a decade's worth of television documentaries and newspaper reports have killed the jellied eels image but substituted a set of equally dubious generalities. Anyone who has never been to Docklands can reel off a series of "well known facts" that have sufficient truth in them to justify not visiting.

For example, Docklands is, by popular assumption, inaccessible by road, rail, or water. You can get there by air, but who would want to jump in a cab and fly to Europe from an empty airport when one could enjoy the pre-flight experience of a cross-London journey to Heathrow?

Or, Docklands has too many, too monstrously ugly, too big buildings. That's an opinion that carries the additional weight of a Royal seal of disapproval. After all, the Prince of Wales' first reaction to the proudly displayed models and drawings of the towering Canary Wharf development was the plaintiff question, "Why does it need to be so high?" Why indeed, especially if you are attuned to the view that the office space of Tower Hamlets and beyond will remain empty because it is being completed just as the 1980's high tide of development ebbs, to leave a surfeit of space for the 1990's?

As for the rest, everyone "knows" that Docklands' Yuppie-only housing is unsellable as the City's redundant generation of Yuppies' age downwardly into debt. In any event, it is another "well known fact" that Docklands is too far away from the West End and the City to be central, and too near to be suburban.

If a look at the map suggests otherwise, a review of West End surveyors' commercial space surveys confirms its status as a land beyond the pale.

Anyone who has never been to Docklands can reel off "well known facts"

Docklands' buildings now account for no less than 60 per cent of commercial development activity in the whole of the capital, and yet the area is still not accorded central London status by major property agencies churning out data on the traditional "three" London office markets – City, Midtown and West End.

There are, then, plenty of excuses not to ask the chauffeur to take a detour along The Highway, or to dip down through Wapping High Street past Limehouse and around West Ferry Road.

So what is it that intrigues the foreign tourists?

One reason is that visitors begin to see what the crude statistics only hint at. Eight square miles of LDDC territory doesn't sound that impressive.

It is hard to visualise until it is translated into miles of new or renovated buildings, development sites, and open spaces – a total of 4,800 acres of land and buildings in a six mile extension of the capital.

It also converts into acre after acre of captive waterscape – 500 acres of enclosed water in all, plus the sweep of the River Thames from Tower Bridge to beyond the gap-tooth dam of the Thames Barrage.

The lie is given to the Yuppie-only thesis by the sight of nearly 20,000 new homes for a local workforce that has already more than doubled since the LDDC was formed, with 3,000 businesses having pioneered and now settled in an area with a prospective 180,000 jobs by 1997 – nearly a quarter more than at any time in the Docklands, admittedly troubled, post war history.

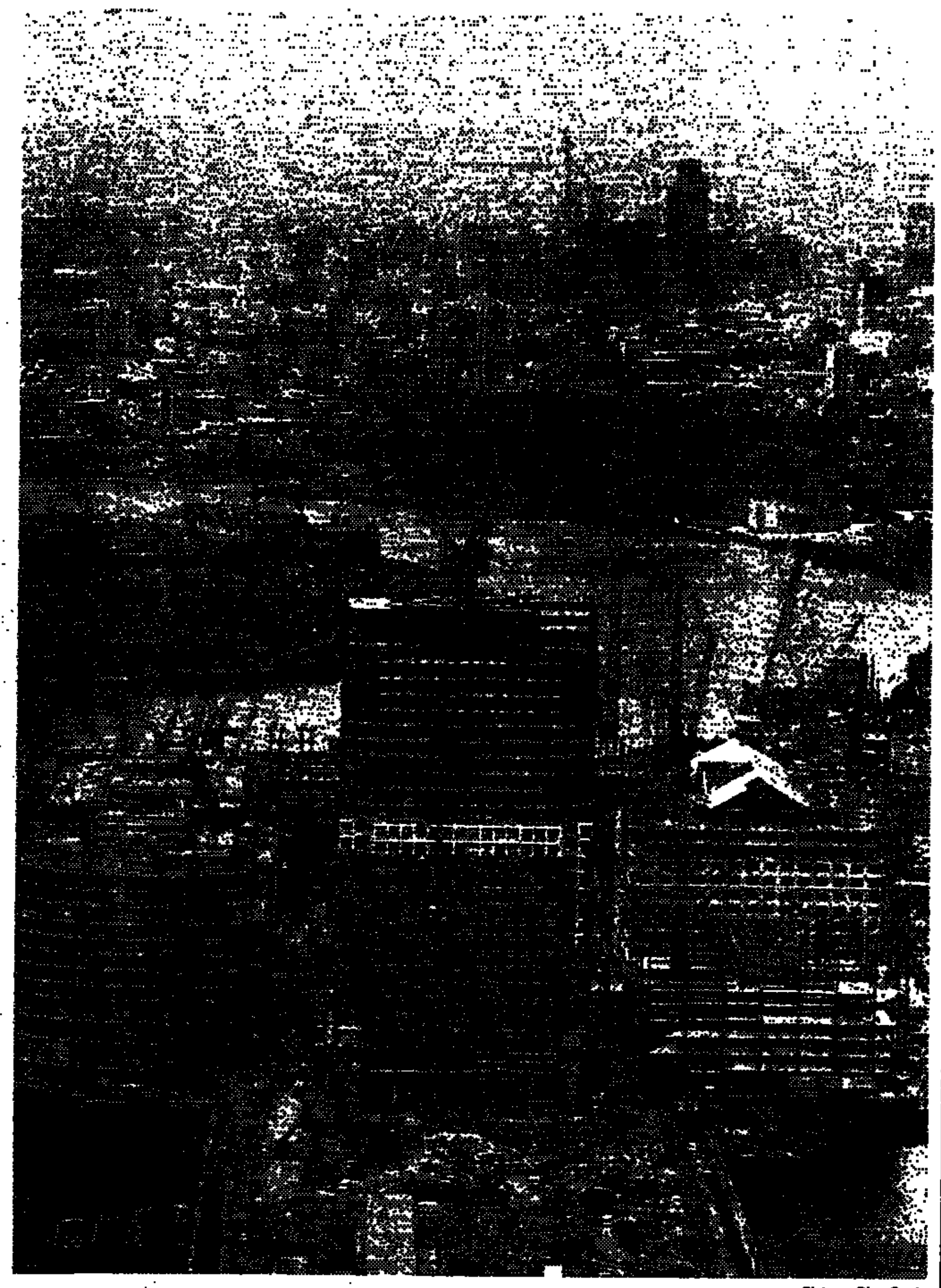
As for commercial accommodation, add up all the actual and outline plans for office space in the LDDC area and a grand total of more than 30m sq ft could be provided by the turn of the century. That is the equivalent of half the total office accommodation in Brussels, all the modern offices in Madrid, or 40 per cent of the space in the Frankfurt market.

It is in that international context that LDDC chairman David Hardy likes to view Docklands today. "I see Docklands in terms of Europe and the single market of 1992; with the City and Docklands working together they are tremendously complementary. To get international corporations to move to London and to expand in this country you have got to provide the facilities of the City and of Docklands."

It's a sales message with a bite. London's position as Europe's major international financial centre is less at risk than its status as first choice as a base for international commercial headquarters. The strength of the City's support services for the global financial industry far outweighs London's relevance as a base for a global manufacturing or commercial organisation. And with prime London office space in traditional central locations now more expensive than New York's finest, and only dwarfed by the exceptional costs of Tokyo property, the city fathers of Paris, Brussels, Frankfurt, Dusseldorf and Madrid each have cash-solid arguments in their efforts to attract internationally-mobile businesses.

Cost would have been only part of the problem in maintaining London's world-role but for the unarguable past success of Docklands in goading the City's planners into relaxing their curbs on new building within and around the Square Mile. Without the fear of an exodus of traditional City space-users east into the Docks, there would not have been redevelopment of the City's elderly stock of offices on anything like the scale seen over the past five years.

The gross office space figures for London may well be heading towards one of their periodic peaks of over-supply, but the picture changes when viewed on an international standards and costs basis. Immediately available prime quality office space at half the occupation cost of properties in older-established locations then moves to the top of the pile on the boardroom table groaning under the weight of special incentives offered by euro-cities keen to win their share of London's best tenants.



Picture: Glyn Genin

The old and the disputed: Canary Wharf development on the Isle of Dogs, with the City behind

LONDON DOCKLANDS

John Brennan interviews LDDC policy-makers past and present

Regeneration game

SIR NIGEL Broackes, the LDDC's founding chairman, doesn't get down to Docklands as much as he would like to these days. But he retains an obvious fondness for the period when he, along with Mr Reg Ward, the LDDC's first and dramatically most dynamic chief executive had an effectively open brief to regenerate the area.

As chairman-designate in 1979 Sir Nigel ran the LDDC from a suitcase using consultants. "There was no formal budget until the legislation to create the corporation had been passed. We would have been in contempt of Parliament if we had set up without consent, and so we were told that we could spend on consultants."

The openness of the brief still amuses Sir Nigel. "Looking back, it was a period that I enjoyed as much as I did the very earliest days of the business." Since the business in question is Trafalgar House, which stretched from Cunard to Trollop & Colls via the Ritz, that's an echo from the property development days when deals were worked out on the backs of envelopes rather than through a sophisticated group finance department.

In Docklands, the scope to invent the future enabled Sir Nigel to scribe on a far larger envelope. Take, for example, the LDDC's Enterprise Zone on the Isle of Dogs. It is a zone that might never have been, since, as Sir Nigel says: "We actually didn't want one. We felt that regeneration could be achieved without the potential distortion of development that would come with an enterprise zone, and you must recall that at that time the talk was of these zones being a kind of Kowloon Free Port with unregulated businesses. All we said was that we'd be happy as long as there wasn't one within 50 miles of us.

"We did take it, because the Government was thinking of setting up a zone in Wandsworth." Looking at the LDDC today, Sir Nigel dismisses critics who claim that it has evolved with no conscious planning or integrated control on development.

On housing, he says: "Our view was that the way to keep prices down was consciously to saturate the market." That achieved its purpose by winning over the council tenants which helped to break the ice with the Dockland councils.

It is a policy of low-cost site release that he believes might break the log-jam in the Docklands residential market. As for planning, Sir Nigel says: "We did take an enormous interest in the architecture and the developments. I would reject the idea that there was a planning free-for-all; we kept the freeholds of sites in the Enterprise Zone and so we were in the position of freeholders to insist that there was none of this system-built, municipal form building that people associated with new structures in the area."

On the mismatch in the pace of development and the creation of an adequate transport system, Sir Nigel comments that: "We always realised that the key to the area was the infrastructure and that development needed a simultaneous improvement in communications."

Although it was envisaged that new, higher density developments would replace the first crop of developments, no one between 1979 and 1984 could have allowed for the acceleration in the pace of development that resulted from the start made to the £4bn Canary Wharf scheme on the Isle of Dogs.

"Canary was never taken very seriously in its initial stages, but when the Reichmanns came on the scene everything changed." That change led to plot ratios throughout the Docklands being "increased by a factor approaching 10 times," since his chairmanship.

The Reichmann brothers' Olympia & York made its commitment to build Canary Wharf in Sir Christopher Benson's time as LDDC chairman.

"When you look at that period you have to say 'Thank God for Olympia & York.' In 1984 Docklands was full of people who were speculating in land purchase, but these were options on land, many of which might never have been followed through to a development," says Sir Christopher.

The Canary commitment helped to bring many of these land options down to ground and to speed the second phase of developments, from low to high rise, from cheap and cheerful to City space. A shift that, inevitably, leads back to the old pace of development argument.

"The world is full of Johnny-cum-latelies saying that development has outstripped the infrastructure and that we should have had the vision to anticipate that. The fact is we did. It's happening now. What no one looks at is the huge success, just look at the developments on the Southward side," says Sir Christopher.

In Sir Christopher's time one of Sir Nigel Broacke's prime levers of control – the retention of site freeholds – was waived in the case of Canary Wharf. The Reichmann brothers have their own central slice of the Isle of Dogs in a policy change that has not been widely aired, and never explained.

Sir Christopher fills in this particular gap in Docklands history. It seems that the LDDC had no choice. "It had been argued from the outset that the developer would want the freehold as a quid pro quo for the huge construction costs," he says. But as chairman of MEPC with a portfolio of large property developments on leasehold and freehold sites, Sir Christopher was able to point out the fallacy of that argument.

What neither he, nor the Government, could do was to counter the clarity of Mr Paul Reichmann's argument when Olympia & York stepped in with the cash to make the idea a reality.

"It was quite straightforward; he said that if they didn't get the freehold they would walk." Looking at Docklands Sir Christopher feels that it may be not have been a bad thing that Rosehaugh and Stanhope, proposed developers of the central section of the Royal Docks, have pulled out of the scheme.

This reflects the belief that the conditional contract to develop this final, large dock area was out of date.'

"This does open up the opportunity to learn from the errors on the Isle of Dogs, it is such a fantastic opportunity to have that great area for development at the turn of the century," says Sir Christopher.

It all comes back to time. If the Royals slow-down its a chance to make sure that what gets built is up to the potential of the area.

Although he sees that demand in the London commercial market as a whole has dropped and could well go further: "I don't fear a real bump because there are tenants who still need space and who will want the quality of space that is becoming available. I think that Docklands will end up as a shining example of regeneration."

That is a cheery exit line for Mr David Hardy, LDDC chairman and, in spite of his City provenance as chairman of the bid-besieged Globe Investment Trust, a long-time enthusiast of wharfsides and dock areas around the world.

"I come from a family that has been in shipping for five generations and an enthusiasm for the life and the energy you find in dock areas is part of my heritage. It has been enormously stimulating to see London's docks being reborn, says Mr Hardy."

Mr Hardy was able to view the LDDC from close quarters as chairman of the Docklands Light Railway and as deputy chairman of London Regional Transport. He can fairly claim to have been doing his bit to match communications to development long before taking the chairman at the LDDC.

Sir Nigel believes that: "The highest accolade [for the LDDC] would be to be able to hand back Docklands to its local authorities."

It's a view which Mr Hardy shares: "There is no question that there is a role for the LDDC into the next century, but I'd like in my time to see areas such as Southwark at a stage where they can be returned to their boroughs."

IN THIS SURVEY

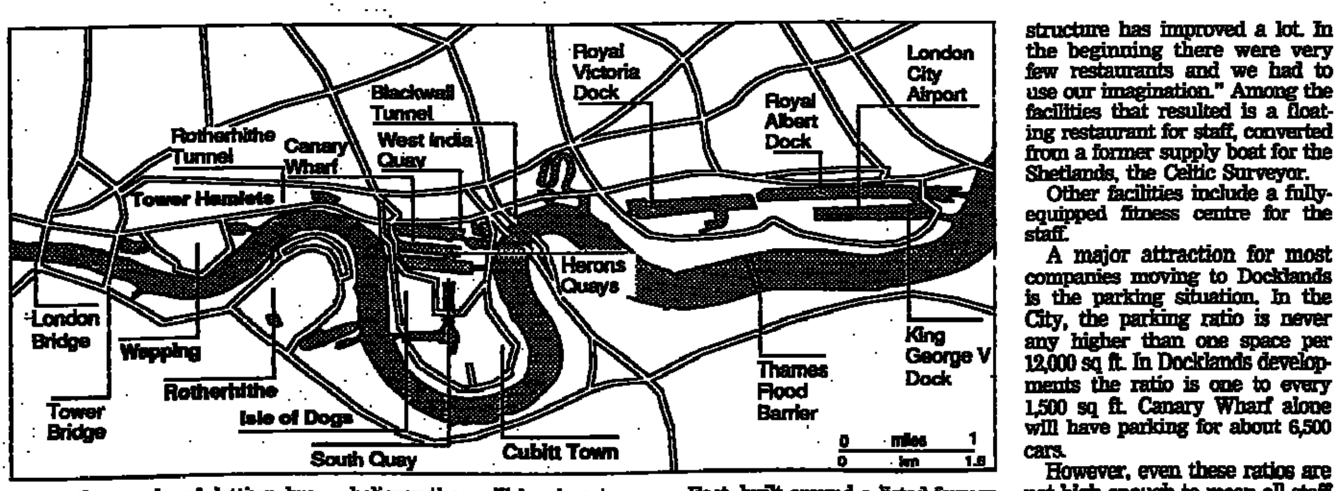
Tony Glover talks to two of the new 'Docklanders'

Companies which have made the move

WHEN the pioneers moved to London's Docklands they sent back grim reports of a derelict wasteland pimpled with building sites, a desert in terms of entertainment and shopping facilities compared with central London. This unhappy image was compounded by tales of how inaccessible the area was for commuters.

However, the momentum of the recent commercial development boom and rocketing office rents in central London have combined to make companies looking for a London location want to begin taking Docklands seriously.

The latest company to agree to make the move from central London is the multinational advertising company Ogilvy & Mather. Peter Corfield, the director masterminding the relocation, admits Docklands was not the choice which first occurred to the company, but said lower rents were a big incentive – at between £27 and £32 per sq ft, rentals in Canary Wharf are half those in the West End.



Mr Corfield explained why the rocketing rents in central London had such an impact on companies like his: "Some professional firms may be able to raise their fees in line with rents, but we are tied to a commission base. Traditionally, accommodation accounted for between 8 and 10 per cent of turnover. Suddenly you are now talking about 25 per cent in the West End."

Mr Corfield says he examined many thousands of letting brochures and physically inspected 120 different premises before deciding on Docklands.

Mr Corfield believes Docklands is going to appear increasingly attractive to companies like his, which which depend on face to face contact. "You have to ask where the media village of London is going to move to. There is a natural break in a lot of 25-year leases coming up."

He added that his industry's suppliers, the film studios and production houses, were being adversely affected by the change in use classes which has enabled West End landlords to charge rents of about £44 per sq ft on studio space to bring it into line with office rents. Mr Corfield believes they will head east.

He added that the standard of accommodation available in Canary Wharf was far higher than any he had seen in central London.

The 10.4m sq foot Canary Wharf development could only happen in Docklands, given the difficulties associated with site assembly and planning permission in central London. At the heart of the development there will be more than 250 shops, including a 13,000-sq ft Marks & Spencer food hall, a 600-seat food court, more than 30 restaurants, a health club and a full range of business and medical services. Together these facilities will cover more than half a million sq ft of the development. At Port East, built around a listed former warehouse, another 250,000 sq ft will house shops, restaurants and a 12-screen cinema complex.

So far the list of tenants for Canary Wharf runs: Credit Suisse First Boston (500,000 sq ft), Morgan Stanley (500,000 sq ft), Merrill Lynch (240,000 sq ft), Texaco (200,000 sq ft), Ogilvy & Mather (about 100,000 sq ft), Skidmore, Owings & Merrill (SOM) (46,000 sq ft), plus retail tenants.

However, those companies already in Docklands have had a far thinner time regarding facilities. The Daily Telegraph was among the first to move there and, like families before television, the newspaper was forced to make its own entertainment: "Recently the surrounding infrastructure has improved a lot. In the beginning there were very few restaurants and we had to use our imagination." Among the facilities that resulted is a floating restaurant for staff, converted from a former supply boat for the Shetlands, the Celtic Surveyor.

Other facilities include a fully-equipped fitness centre for the staff.

A major attraction for most companies moving to Docklands is the parking situation. In the City, the parking ratio is never any higher than one space per 12,000 sq ft. In Docklands developments the ratio is one to every 1,500 sq ft. Canary Wharf alone will have parking for about 6,500 cars.

However, even these ratios are not high enough to mean all staff will be able to drive. Given the limited success of the Docklands Light Railway, one of the biggest incentives for firms moving to Docklands is last November's decision to spend £1bn extending the Jubilee line from Green Park via Westminster, Waterloo and London Bridge, Surrey Docks and Canary Wharf to Stratford.

Another communications angle rarely discussed but of increasing importance is the location's communication links with other European cities. Mr Corfield believes that in order for companies in Docklands to take full advantage of the London City Airport, it will have to extend the variety of aircraft using the airport to include high-speed jets.

Opening up the river

The empty highway

"WHAT staggers me about London," says David Jeffrey, the Port of London Authority's chief executive with responsibility for the river, "is that you have this wonderful six-lane highway, already maintained, which runs alongside the main commuter stations of Charing Cross, Waterloo, Blackfriars and Fenchurch Street, and yet it is hardly used."

He added: "I have heard it said that it costs £50m to build one mile of dual carriageway, and here we have 30 miles of six-lane highway which is just ignored." Mr Jeffrey believes a comparitively small investment from the Government could do a tremendous amount both to open up Docklands to commuters and to relieve central London's traffic congestion.

It would cost about £20m to provide three piers capable of coping with the huge increase in passenger traffic which the opening up of the river would facilitate. This would not only be the cheapest solution to traffic congestion, but one which could be operational before the end of the life of this Parliament.

Another incentive for such a project would be the impact on tourism. Given the number of historic and impressive buildings which can be best viewed from the river, London would be well advised to follow the example of cities such as Paris which make great use of river buses.

Given that the initial investment would be so low, why is nothing being done? Mr Jeffrey believes there are two main reasons: one is basic short-sightedness; the second is the poor example set by earlier river transport schemes, which were underfunded. He also suggested there may be a political disincentive in that road schemes generally bring votes from easily identified catchment areas.

Mr Jeffrey is adamant that any river passenger development should follow from a mixed economy scheme and not be continually holding out its hand for government subsidy.

This is in fact already happening, albeit on an extremely small scale. A service is operated by the Riverbus Partnership, formed in March between the struggling Thames Line Plc and a consortium of five property development companies. The government is contributing £2m to the project. Mr Jeffrey believes the project is underfunded and unambitious. Moreover, the very limited service serves as a barrier to its further development. While people can point to an inferior service it is hard to attract the investors needed to provide a full scale river transport scheme.

Even those firms directly involved in the current scheme hold out little hope for its growth. A spokesman for Olympia & York, partners in the Riverbus Partnership and the developers of the mammoth Canary Wharf scheme, said he envisaged only limited use of the river. He said the major difficulties were not on the river as such but in actually getting to the piers.

The service as it is offers a fast service at 20-minute intervals between Chelsea Harbour and Greenwich, stopping at Charing Cross, Festival Pier on the South Bank, Swan Lane in the City, London Bridge City Pier and West India Pier on the Isle of Dogs. It also provides a service to London City Airport.

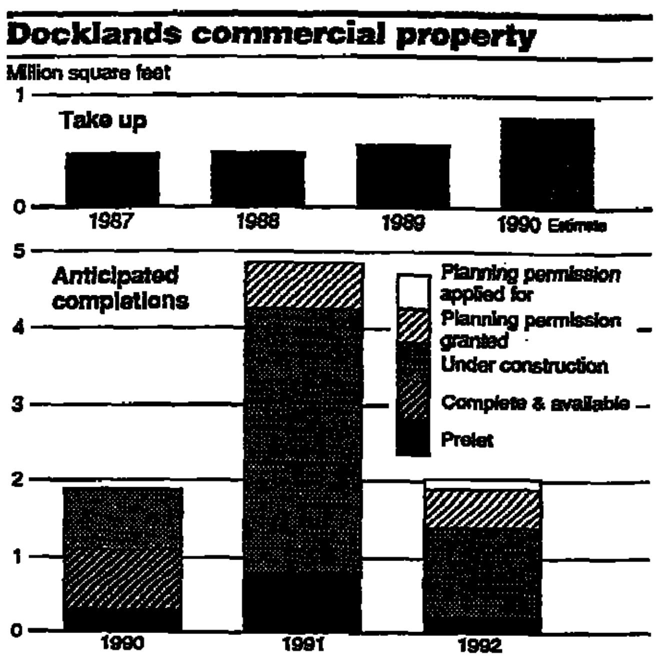
The PLA is also playing a role in developing the river above the Thames Barrier – up to Teddington – for leisure, pleasure and tourism. Cruise operators have been encouraged to enhance their services.

Of course, the river is also used for cargo. The total cargo handled has risen from 43.8m tonnes in 1987 to 48.9 million in 1988 and 50.2 million in 1989. The extra tonnage is handled by new facilities on both banks of the tidal Thames. More than 4m tonnes of cargo are moved annually through the Thames Flood Barrier at Woolwich and, in the opposite direction, 5m tonnes of London's refuse is shipped through the Barrier for disposal at landfill sites downriver.

According to the PLA there is not likely to be a substantial change in the patterns of use of the river: leisure and pleasure activities above Putney; tourism on the central section; and commerce below Greenwich.

Tony Glover

Docklands commercial property



Source: Savills Research

John Worrall looks at Docklands through the inheritors' eyes

A mixed legacy for councils

TO A great extent, the three London boroughs involved in Docklands – Southwark, Newham and Tower Hamlets – have been spectators to all that has happened.

They have had their local planning democracy within Docklands usurped by the LDDC. In compensation, there has been plenty of scope for politicking and the particular luxury of being able to disclaim all responsibility for something which all three, in colours which clash with the present Government's, have not been slow to do.

"We wouldn't have allowed that," said Tower Hamlets of the scale of the Canary Wharf office scheme. It has also declined to adopt the Red Brick Road, the road system of the Isle of Dogs business area, saying it is much too small for the job. Most with hindsight would agree though the council will get the road anyway when the LDDC expires.

Southwark for its part has published a booklet, "Broken Promises," which is a list of disenchantments hinging mainly on what it sees as the failure by the LDDC to provide enough jobs, affordable housing and social services.

Those two councils have a clear idea of what they will be left with, which comes down to a lot of commercial space and upmarket residential units, and in the case of Tower Hamlets, an infrastructure problem, which although under heavy treatment, may prove durable.

Newham perhaps remains the most interested observer, because development in its section of Docklands is less advanced: the Royal Docks still constitutes one of the biggest slices of undeveloped inner urban land in Europe.

When the LDDC was set up in 1981, there was a vague expectancy, though no formal statement, that it would last about as long as the Isle of Dogs Enterprise Zone, on which basis it would be winding up in 1992. However, at the start of the new decade it has an open ended look about it which prevents the councils from from giving thought to picking up the reins.

Despite co-operation on the implementation of planning consents, relations between the LDDC and the three councils remain a little touchy as the new committees shake themselves down after the May elections. Newham and Southwark stayed staunchly labour, while Tower Hamlets moved more firmly into the Liberal Democrats' hands.

There was a slight flurry recently in Tower Hamlets about the Social Accord, a compensation package attached to the major road schemes under which the LDDC is paying £70m for replacement housing for affected council tenants and a further £30m for environmental improvements and training packages. Following comments by senior LDDC management that as an annually funded organisation, it couldn't give a solid guarantee that it would continue to get the funding for the Accord, Tower Hamlets felt obliged to write to Environment secretary, Chris Patten, seeking – and getting – an assurance that the agreement would be honoured.

However, few such specific issues yet arise, and policies and views on the resumption of responsibility remain hazy. There are broad comments that in the longer term, the councils would want all LDDC land holdings to pass to them rather than be transferred to another quango or summarily sold off, as was the case with the GLC disbandment.

Affordable housing and relevant social facilities would go back to the top of the list. Jobs for residents would get more priority, in which context, the City Airport runway extension gets a conditional welcome from Newham, even though the council objects to the specific application because there aren't enough safeguards against environmental noise and disturbance.

Development partnerships with the private sector would continue although there is some muttering about co-operation with large consortia. They are seen in some quarters as a constriction on development progress insofar as they have a tendency to produce master plans but then dictate the pace of progress according to their own internal criteria as well as market reasoning, sometimes thereby stagnating the process.

Partnerships with Government would probably find more favour, with their attendant CPO powers, land disposal powers and more guaranteed funding every year, as long as the councils controlled the planning.

Councils indeed seem keen to get back to planning infrastructure at the same time as other elements of development, which now seems an almost quaintly old-fashioned idea. All this, however, is hypothesis while the LDDC remains in place – and it still has a lot of work to do.

Meanwhile, although the loss of local planning democracy still rankles, the LDDC's centralised carte blanche planning brief has produced benefits which the councils can enjoy. The experience seems to have been stimulating as well as instructive.

The traffic may jam forever, writes **John Worrall**

Waiting for the train

EVERYONE knows about Docklands transport: access to the Isle of Dogs is awful and in the short term will probably get worse. The whole infrastructure was either inadequate from the outset, or is a victim of Docklands' success, dependant upon where sympathies lie. So far, so bad.

But the irony, ribaldry and generally negative press have given the Dogs a bad name which may now be getting out of proportion. By the late 1990s, say those with faith, the Isle, with its new Jubilee Line and good road connections to the motorway network, will arguably be better connected than any off-centre London office location.

The test of that faith will come in the meantime. Not only will rail capacity change relatively little before 1993, but the roads will be inadequate, and half of them will be dug up as road building continues. The last of the LDDC's road schemes to be completed will be the Limehouse Link westwards to the City which, at more than £220m for little more than a mile, is Europe's most expensive. The LDDC is quietly hoping that with the downturn in the commercial property market, road and rail improvements might just about keep pace with occupation of the office space coming on stream.

The favourite target for derision is the Docklands Light Railway, a driverless shuttle which rides a high rail on a three-branch network connecting Stratford, Tower Gateway and the Isle of Dogs.

With an initial capacity of 1,600 passengers per hour in each direction, it was conceived in the expectation of low-rise industrial development in the Isle of Dogs Enterprise Zone, only to be confronted with enormous office buildings born of the Zone's laissez-faire planning regime which could, in the end add up to 25 m sq ft of space. Someone perhaps should have seen that coming.

With only 22,000 jobs of a possible 160,000 in place on the Isle of Dogs, the DLR already has a mere novelty interest for those in traffic jams below. Despite a deterrent parking code, horror stories abound of car commuters who must leave homes to the west of London at 5.30am to get a decent run in.

While that sort of thing may be partly a symptom of London's general condition, it will probably continue until the Jubilee Line arrives. Docklands probably hopes that the government will not yet bow to pressure for road pricing to treat that condition.

The losers for now are the developers and investors whose buildings, notwithstanding falling rents and rising inducements, are unlet. The irony is that if they find tenants in the near future, they will add to the traffic. But that also means that there are soft deals for corporate planners who can take an objective view.

Docklands' improvements schedule, now the responsibility of transport minister Mr Roger Freeman, includes the phased expansion of the DLR to carry 6,000 passengers in each direction by 1993 and, probably, its southward extension across the Thames to Lewisham. The LDDC is hoping for a bill to be deposited in Parliament this year which might allow its completion by 1995. Mr Freeman will also be pushing the Jubilee Line bill, currently making slow progress as the House committee makes heavy weather of its effects around Parliament Square. The indications are that it should be through by late 1991 with the line being finalised before that. Trains could run in 1996.

The Jubilee Line of course is the artery without which Docklands will wither. Its funding has been the subject of a much reported but still undecided poker game between the government and interested developers, notably Olympia & York, the developers of Canary Wharf. The widely bandied but unconfirmed figure is a 40 per cent developer contribution to a £1bn total cost at current prices.

Unfortunately, all this potentially life saving extra transport capacity will still be stretched. If the Jubilee Line is built and the DLR is expanded and extended as proposed, lines reaching Canary Wharf will have a total hourly capacity of close to 60,000 passengers both inbound and outbound. That is barely the number of workers expected in a completed Canary Wharf alone, even if they won't all travel home at the same time. The river can carry some but not many. The City Airport, struggling to make ends meet on low traffic volume, is limited to business travel.

All of which means that the roads will still have a lot to do. Buses already scuttle about and more will do so, but given the fact that the Isle of Dogs is flanked on three sides by the Thames, congestion at the northern entry points will be unavoidable, particularly where traffic mixes with east London commuter traffic on the A13.

But at that point of course, it ceases to be something for which Docklands can be blamed directly.

WINNERS AND LOSERS

It's a hard race for developers

SORTING winners from losers in Docklands is like making bets halfway through the Grand National. Some runners are well in front – but they started early and may yet fall.

Many have already tumbled or quit, unable to cope when a crashing property market hit the race. Kentish Homes fell heavily and was shot. Wiggins Group went lame. The job-share jockeys employed on South Quay Plaza III by Marples International and National Leasing were thrown by their financiers.

The strong and the cunning are still running, however, helped by the fact that ground conditions are being improved even while the race is on.

Rudimentary roads and railways have kept away supporters – most seem satisfied to watch from afar, scoffing at the whole event. However, owners are now finding ways to attract backers.

Foreign runners are among the hot favourites, such as Canada's Olympia & York, which after a late start is doing very well.

O & Y's promise to see its 10m sq ft Canary Wharf complex to the finish, even if no crowds arrived, is probably at least partly responsible for spurring on flagging interest.

Credit Suisse and Morgan Stanley were there from the start. After a long delay, Merrill Lynch joined the team, and the string of supporters now includes such as Ogilvy & Mather, Skidmore Owings & Merrill, and Lehrer McGovern.

Doubts hover over the real strength of such backing, however. Rents are said to be £27 to £30 a sq ft compared with lettings below £20 in other buildings, but the privately-owned developer restricts details of deals, so there are suspicions that bribes may have been offered.

But whatever the early cost, O & Y knows it is building a big early lead by grabbing tenants. The 4 m sq ft first phase will be filling up next year, helping cast off the white elephant image and impressing other potential backers such as Barclays Bank.

Other runners are not jealous, because their future hangs on Canary Wharf. If it falls, there will be nobody to set the pace.

Some have already won by starting early and offering the right price. Charter Group made its early sprint by banging up 1 m sq ft of offices at Harbour Exchange while others pondered. "It was important to get to a critical mass at the right time," said Mr Hugo Stuttaford of Knight, Frank & Rutley.

Then the group sold four of the blocks. Around 400,000 sq ft has been let at rents between £18.50 and £20.50, the latest space going to the Export Credits Guarantee Department in what owners hope is a prelude to another major government department coming in.

Housebuilders were in Docklands first, so they had the advantage of an early start. However the crash also hit them sooner, dragging some towards disaster. The longer they stayed, the more likely they were to suffer. Barratt East London was a winner because it shifted into joint ventures with local authorities. Another early pace-setter, Kentish Homes, tried to keep the ball rolling too long and became the best-known loser when Halifax lost its nerve over Burrell's Wharf.

Others felt the shadow when a strange thing happened. Fairclough Homes tried an ingenious marketing ploy on its hard-to-sell Cyclops Quay and King & Queen Wharf schemes, offering a deal under which flat-buyers could defer half their payment for up to five years. Sales doubled within weeks, shooting them forward in the field. Regalian and Rosehaugh followed, and even Barratt had to offer similar terms to stay in the race. In one move, house builders went from stragglers to possible winners.

Whether the same could be said for people who buy these flats is a matter of opinion. They are betting heavily on being able to sell within five years. However, David Goldstone of Regalian, who estimates his sales have been boosted tenfold, has confidence in buyers' ability to calculate their prospects. He believes they will be winners when the market is back to buoyancy in two or three years' time.

It will take a little longer before commercial property reasserts itself, however, which is why he has turned down the chance of helping Conran out of its dilemma on Butler's Wharf, where the group has wilted under pressure.

This confidence in the eventual success of Docklands has tied Regalian into a partnership with O & Y to produce another 2m sq ft of offices and homes at Heron Quay, next to Canary Wharf, in the mid-1990s. Others are aiming for the same time slot, ready to prove that latecomers could also be Docklands winners. Richard Fraser of Hillier Parker says the Swedish group NCC is ploughing ahead with the 600,000 sq ft first phase of its office development on the east of the Isle of Dogs. Stanhope Properties, meanwhile, has shaken off running-mate Rosehaugh and will push for 800,000 sq ft at nearby Blackwell Yard, although it has dropped development plans for the Royal Docks.

The differing fortunes of these stablemates crystallises the difficulty in judging winners and losers at this stage. Once equally-matched partners, Stanhope has roared ahead with the help of a hefty push from O & Y, which now owns 30 per cent. Rosehaugh is relying on its own stamina and dropping back fast. Such off-course activity make the odds almost impossible to calculate.

David Lawson

Antony Thorncroft looks at broken dreams

An artistic wasteland

IN artistic terms, Docklands is a place of broken dreams. So many plans; so many promises; so much prediction – and so little achievement. Perhaps, naturally, the Dockland Development Corporation has more pressing problems to worry about than priming the arts, but unless a few initiatives are taken soon, the arts world will grow disillusioned with the idea of Docklands as an area of opportunity.

There was a time when Docklands seemed about to be a creative paradise. One of the country's most successful small orchestras, the Academy of St Martins-in-the-Fields, was to move into a purpose-built conversion at Wapping Pumping Station, complete with recording studio. The National Portrait Gallery would switch to a Dockland site, along with many specialist museums, such as the Museum in Docklands which has been meticulously building up a archive of the area. There was even talk of the Royal Opera House finding space to grow in the East. The Arts Council considered moving its HQ there; the Association for Business Sponsorship of the Arts has actually set up on the edges, near Butler's Wharf.

Now the Academy project is stalled through lack of cash and most of the other proposals are looking dusty. An artistic tour of Docklands would be very brief. The Design Museum is operating, but its premises are small and it has already lost its first energetic director. Its funding from Terence Conran is guaranteed for only three years and after that it could struggle. Of the two theatres on the periphery of Docklands, the Half Moon is threatened with at least temporary closure and the Theatre Royal, Stratford, is constantly strapped financially.

For music, apart from the London Arena which has quickly acquired a reputation as one of the least comfortable and most inaccessible venues for popular concerts in the country, there are occasional performances by the Docklands Sinfonietta which has attached itself to the area and built up a good critical reputation – and the support of local companies, like the Swedish property developers NCC, which sponsors it with £25,000 a year.

The visual arts are just as badly served, although the nearby Whitechapel Gallery is now taking an interest in its neighbour. It is discussing with Olympia & York the possibility of filling an art space on its dominating Canary Wharf development and is advising on public art among the office blocks.

Olympia & York has surrounded itself with artistic consultants. It has the former director of the Victoria & Albert Museum, Sir Roy Strong, to advise it on overall landscaping, and there are frequent trans-Atlantic visits from Anita Contini, who has ensured that Olympia & York's rather similar development at Battery Park in New York has gone with an artistic, as well as a commercial, bang. As well as the commissioning of static works of art she will be advising on an artistic programme to keep the office workers happy when they finally arrive at the Wharf.

The LDDC is more than content to let developers like Olympia & York look after the artistic contribution. Its own experiences with artistic organisations have been less than propitious. It has yet to resolve its differences with the Museum in Docklands, with whom it has been negotiating a display site at Port East, one of the earliest surviving (1801) warehouses in the area. The building is fine but its size – 25,000 sq ft – is less than a quarter of what the Museum needs to make a decent show. It might act as a satisfactory promotional space while the hunt goes on for larger premises, but to cover its costs on the site the Museum would have to attract 400,000 visitors a year. It would receive some funds from the LDDC but since Port East is alongside Canary Wharf it would find it difficult to attract additional funding from developers other than Olympia & York.

The Museum would prefer a larger site at Victoria Dock but this would require the gift of a warehouse, as well as cash, from the LDCC, which has already cut off funding to the Museum, leading to redundancies. The LDDC wants the Museum in Docklands to raise more private money but this is difficult in the current climate. Unless it shows more imagination it could inhibit a development which would deliver the sense of identity, and historical roots, which the new Docklands so badly needs.

The LDDC seems to have little grasp of the importance of the past. On a smaller scale it has, in St Mathias Church, one of the few 17th century chapels built in London. Erected by the East India Company, it has been taken over by a Trust which wants to transform it into a venue for chamber music concerts. For want of a relatively small sum the structure is falling deeper and deeper into disrepair.

Here is a building which both architecturally and culturally could enhance Docklands. It is also a symbol of the missed opportunities in the arts. More vision, and more cash, are needed now if Docklands is not to remain an artistic wasteland. By raising morale, and the quality of life, the small sums of money required would prove an excellent investment.

'Lifestyle' building? **John Brennan** looks at the dreams that were interrupted

A residential property nightmare

THE sales agent was smiling through the silence. There is not a great deal more a professionally polite residential property negotiator can do when faced with such lack of tact.

The breach of etiquette was to cut across enthusiastic talk of past triumphs and future glories to ask about current sales. For the last two years such blunt questions have been regarded as profoundly ill-mannered. Beyond the strained smile lay successive months of frustration: viewers dip in and out with the sunshine, and buyers remain a rarity. Those who have turned up at sales agents' offices or tracked down the skeleton staff left to man once bustling sales centres have frequently abused their welcome by suggesting discounts that head past bargain hunting towards attempted theft. The agents' rental desks, on the other hand, have been kept busy handling a stock of properties that individual and developer owners are unwilling to sell at silly prices.

The Docklands' residential market has been so inactive that even this year's spate of deferred purchase schemes has failed to act as a kick-start for the market.

All of this begs a question: Why, in a capital city where fewer than 15,000 new homes are added to the 2.78m housing stock each year, and where even hyper-conservative official statistics suggest an immediate need to accommodate upwards of 100,000 extra households and a further 150,000 by the century's end, should estate agents be standing idly by empty and unsold homes?

The answer can be found in the imbalance of housing in Docklands. The popular image of Docklands as an area of riverside warehouse conversions has been fuelled by the past several years' concentration of development and renovation work on prime sites – sites that cried out for housing of a standard that put the completed properties way beyond the price range of the average first-time buyer or younger family household. Consequently, Docklands is akin to a village where a couple of rectories and a brace of manor houses have been completed before the villagers' cottages.

Yet, like the village manors, the riverside warehouse conversions and new-built homes are the exception when set against the total housing potential in the seven square miles of LDDC lands. While they do attract most of the attention, the expensive properties represent a comparatively small percentage of the 19,000-plus homes already built or under construction within the borders of the LDDC.

It was not planned that the expensive properties were built first. In the first tentative years of the LDDC's life, when builders had to be press-ganged to visit the area, it was assumed most new housing in Docklands would be subsidised for owner-occupation by locals. Nine in ten docklanders at that time lived in council lodgings, and it was a gamble whether any would move from rents to mortgages.

In the event, the bad local authority housing standards ensured a ready demand for new homes, which were made affordable by virtually giving the land to the builders and paying their site clearance and preparation costs.

It was the startling success of this first round of housebuilding that set in motion the subsequent, increasingly exotic game of site Monopoly that determined the shape of the Docklands' residential market today. If the East Enders could be won from their council blocks by affordable housing, could not the new generation of City traders be drawn east by "lifestyle" properties?

In translating West End prices to East End sites there was a sudden transformation in the value of land. In the five years from 1983 to 1988 land that had previously been regarded as having negative value because of the costs of reclamation became as expensive as any site in a fashionable residential part of central London.

The LDDC could only cheer this. The residential developers were, after all, taking the Docklands' regeneration miracle at face value and putting up the money to help speed the transition from slums to saunas.

The developers could take comfort from the quality of competition for the sites. Few shied away even as site costs spiralled. Given the projected resale values of prime apartments and houses, the sites justified the costs. As for those projected prices, when flat buyers were willing to queue to put down deposits and to sign binding purchase agreements two years ahead of completion, what right-thinking builder, or even prudent financing institution, could be accused of being reckless about values?

The rest is near history. Completions coincided with the slump in City trading activity, the "down-scaling" of trading teams, rising domestic interest rates, and competitive completions of equally tough to sell apartment blocks in longer-established residential area. Too many and too pricey properties bumped into the market at the worst possible moment – just as the best customers were starting to get unfamiliar overdue payment reminders on their gold cards.

Developers who could, shifted towards the lower-cost and social housing projects. The housing need is just as pressing, but it's at the cost-conscious base of the market, not among the £200,000 to £300,000-plus apartments.

In Docklands housing, there are at least seven distinct areas within the LDDC, and a myriad sub-markets within each of those.

■ **BECKTON:** This is Docklands beyond the docks, an area that could once boast some of the largest rubbish tips and industrial wastelands interspersed with run-down council houses and flat-blocks straight out of a planner's nightmare. Six miles east of the City, Beckton was a place to drive past.

In many ways this is now the most successful residential section of the area. Plenty of the old council properties that remain are well past an ever dubious prime. Walkways and cycle paths between the new warehouse stores and the housing estates gather weeds just as fast as the disused industrial buildings did before the bulldozers moved in. And yet, 4,000 new homes with gardens make an enormous difference. Stretches of Beckton have a Hampstead Garden Suburb feel to them these days, an impression that would have been laughable less than ten years ago. Prices of properties here are in tune with their market, with three and four bedroom homes selling and reselling fairly actively at and around £100,000, with plenty of smaller properties available for £60,000 and up. The extension of the Dockland Light Railway into Beckton by 1992 will draw the area closer to Central London and make it a natural satellite town for the offices on the Isle of Dogs.

■ **THE ROYAL DOCKS:** Beckton's immediate neighbour to the south and west, but decades apart in terms of development. The Royals, the last and greatest of London's Thamesside docks, would have been Britain's answer to Rotterdam's Europort but for spectacular incompetence on the part of management, dock workers, and successive governments. Some of that historic ill-fortune seems to have been left behind in the land clearance work preparing for the great water city that could be developed around 245 acres of captured dock water. The decision of property development groups Rosebaugh and Stanhope to pull out of a £500m proposed development because of "continuing deterioration of the property market" augers ill for any early start to the reconstruction of the area. The new homes planned here by their thousands await less timorous times and a fresh century.

■ **THE ISLE OF DOGS** juts into the Thames, forcing the river south from Limehouse to curve past Greenwich and up again to the mouth of the River Lee. In the 1850s this was the most important engineering centre in the country, with the world's leading steam shipbuilding yards. Now the LDDC's Enterprise Zone, it houses the largest single concentration of commercial space in the area, a dockside city clustered around Olympia and York's Canary Wharf development.

The existing terraced houses and council homes of Millwall and Cubitt Town to the south and of Poplar to the north of the docks contrast with a fringe of river and dockside new developments of wildly varying quality. From £600,000-plus penthouses on the river to £70,000 one-bedroomed flats inland, there are thousands of new homes on sites that, but for the crash, would now contain thousands more.

A sign of the times is the rent of apartments in the Cascades' apartment block to formerly homeless families on the council's waiting list. Cascades had been marketed as the ultimate yuppie tower.

Investors hope it's a temporary embarrassment, and that more than 50,000 jobs will be packed on to the island once the current crop of offices space is completed and filled.

■ **LIMEHOUSE:** Here the London canal system meets the river at one of the oldest commercial areas in Docklands. Given new prominence when the SDP was formed in Dr David Owen's living room in a house close to the early 18th century Grapes pub in Narrow Street, the area has been pretty well hidden to passers-by for several years by the extent of building activity and the volume of construction traffic.

The completion of the cut-and-cover Limehouse Link road will have a profound effect on the traffic volumes and end the delays on construction around the Limehouse Basin, the canal barge dock area. Once the truck traffic bypasses the area, Limehouse promises to become one of Docklands premium addresses.

In the meantime, a mix of strikingly good and strikingly bad new buildings helps to bemuse visitors. So too do prices that need to be related to square footage rather than bedroom or reception room numbers. The area has some of the largest flats in Docklands and £400,000-plus asking prices on two-bed units don't sound quite so eccentric when you appreciate that the sizes equate to that of an average four-bedroomed house.

The few original Georgian river front houses rarely reach the open market. When they do they have tended to trade around the half a million pound mark.

Off-river flats range from £140,000 up.

■ **WAPPING:** The City's nearest neighbour, now an established residential area in its own right. There is a message in the fortunes of the parallel row of fine Georgian houses at Wapping Pierhead, which cost £8,000 to £10,000 apiece when sold off by the Port of London Authority in the late 1960s, and changed hands for less than £40,000 a decade later, sell today in the £400,000 to £500,000 range.

The past few years have given Wapping more than its share of riverside homes valued at half a million pounds or more, and a dozen or more penthouse apartments on the river where prices run from £750,000 to more than a million.

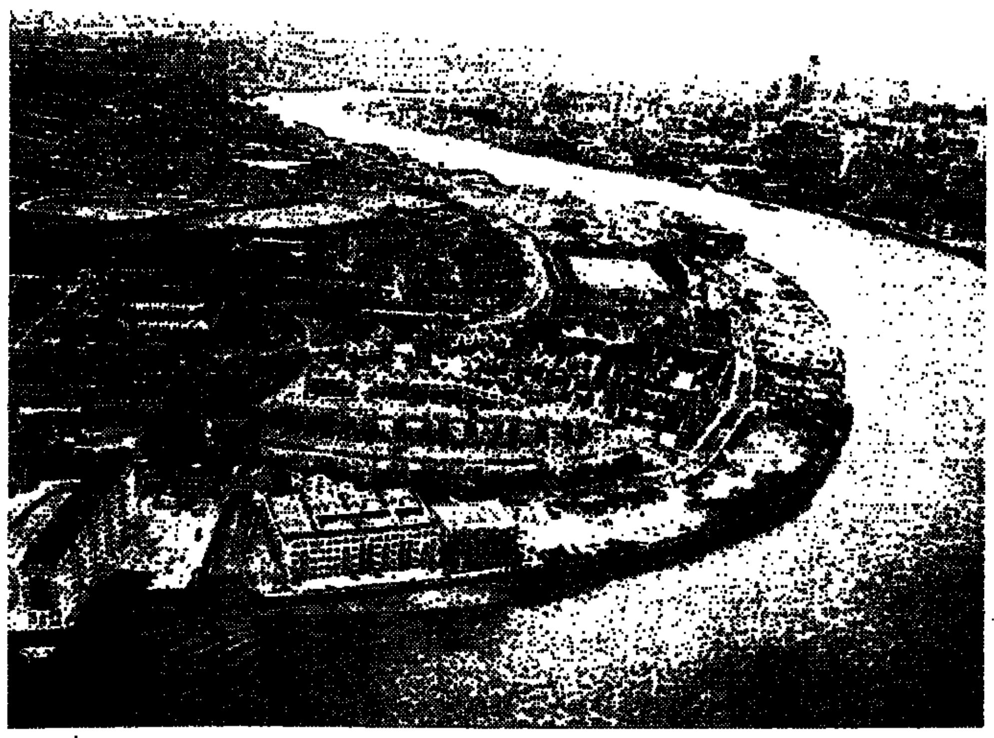
Even with its long curve of river frontage, the majority of new and refurbished homes in Wapping are away from the Thames. It is a rare two-bedroomed flat by the river that costs less than £200,000, but the same or greater space inland can be found for two thirds of that, and closer to half that in the dull market of the past year.

Wapping has been one of the most active sale and resale markets in Docklands as parts of the area have ceased to be permanent building sites and as shops and restaurants trail in after the new residents.

■ **BERMONDSEY and SHAD THAMES** on the south bank next to Tower Bridge have some of the finest views over the river, obliquely to the City and directly on to the warehouses and new buildings framing Wapping's riverfront. Andrew Wadsworth's award-winning renovation and conversions of New Concordia Wharf started the property ball rolling and set the standard.

The large area apartments in Butlers Wharf would certainly rank as some of the best flats in London. These cost from half to three quarters of a million pounds apiece, but then this stretch of riverside includes some of the most expensive residential property in the whole LDDC area. Again, most of the new homes are off the river, with prices clustered in the £100,000 to £220,000 range for a high proportion of one – and two – bedroomed flats.

■ **ROTHERHITHE and the SURREY DOCKS:** The further you stray from Tower Bridge, the more likely the residential developments are to spread across the sites from flats into houses. Rotherhithe itself is a surviving sliver of a waterside London that long pre-dates the building of the docks east of the City. Developments scar the area, but they will mellow and so, eventually, may the owner-occupiers who bought in the area in the knowledge that it was served by the Waterbus only to find that service discontinued. The planned rail and tube links will draw the area within the Central London passenger service network by the mid-1990's. That makes this an inner suburbia in waiting.



Picture Glyn Genin

Housing developments at Rotherhite, and 'inner suburbia in waiting' on the Thames south bank

The average standard of housing in the area has been improved beyond measure as several thousand new homes and gardens brighten what had been a rundown industrial landscape featuring some extremely poorly maintained council properties. Some of the most dramatic council property rehabilitation programmes are in progress here, and there are few other areas of Greater London where a new, four-bedroomed house is available for less than £150,000.

Dock and riverside developments are, as always, significantly more expensive. The price of an inland four-bedder would barely cover the cost of a waterside flat of half that size, although it is the more expensive water view properties that have been suffering a sharper does of sales blight than the family homes inland in the past year.

COMMODITIES AND AGRICULTURE

Oil traders devise strategies for the 21st century

Steven Butler on explosive growth in hedging and speculation for dates up to ten years ahead

THE MARKET for very-long-dated forward trading of oil received a big boost this week with the offering by Phibro Energy of the first "synthetic oilfield" – a trust with a payout modeled on the depletion of a real oilfield with a 10-year life.

Yet this is just the latest development in what has been an explosive growth in the market for long-dated hedging and speculation in crude oil. Hundreds of millions of barrels of oil, worth billions of dollars, are now hedged for periods extending up to ten years by means of tailor-made swaps and options.

No one knows precisely how big the market is – even though the bulk of business is handled by no more than five or six companies worldwide – but it is growing rapidly, with many banks trying to enter the market, and has begun to exert a significant influence on oil prices and on the operation of oil markets.

As a result of this, trading in the longer-dated contracts for crude oil on the New York Mercantile Exchange, for example, has mushroomed in the past two years, as shown in the illustration.

In January BP Oil, the oil marketing, refining and trading arm of British Petroleum, established a Derivative Products Division – a separate profit centre managing oil price exposure for other units of BP and outside clients – and set out aggressively to win new business.

But BP was in part heading down a trail blazed by others, including Hedge Oil, a subsidiary of Elf Aquitaine, and Phibro Energy, the energy trading division of Salomon Brothers. Bankers Trust and Chase Manahattan Bank, as well as Banque Paribas, are also big players.

Ms Vivienne Cox, head of the BP's operation, says BP's volume of risk management activities now rivals the oil group's traditional trading and she expects the business to double in the next year.

When oil prices fall, swaps and options enable consumers to to lock in low prices for an agreed period. When they soar, producers can secure sales prices for months and years to come, regardless of which way the market moves subsequently.

A swap is a device by which risks are exchanged. An oil company, for example, may agree to compensate a consumer should prices rise for a product, but would receive payment should they fall below an agreed price. In an option, a consumer pays a fee for the option to buy a product at an agreed price. This would be exercised should prices rise, but would leave the option holder free to benefit from any price fall.

Refining margins can be locked in through a swap, in which the swap provider takes positions guaranteeing a differential between crude oil and the refined product. Chase, Bankers Trust, and Phibro have all marketed "synthetic oil" in the form of bonds which pay a high coupon and which are redeemable upon maturity according to the value of a number of barrels of oil.

Mr Nigel Saperia, of Phibro, says issues are attractive to the issuer because of the differential between the future prices of oil available in the market and the much higher future price of oil implied in the share prices of oil companies. Phibro believes it can obtain oil more cheaply through the markets than oil companies can by exploring for it and producing it.

The availability of these instruments has broader financial significance: banks say they are willing to raise lending limits and improve financing terms for investment projects in which a company has removed price risks through swaps and options.

Swap providers, however, may end up taking large, unbalanced risks on their books, in which an obligation to buy or sell at a fixed price is not matched by an opposite obligation that would offset the risk. The balance has to be managed in the market, but a five year oil price obligation, for example, can only be hedged out to 18 months on the organised futures exchanges.

"We are quite happy to run with an unbalanced book," says Ms Cox.

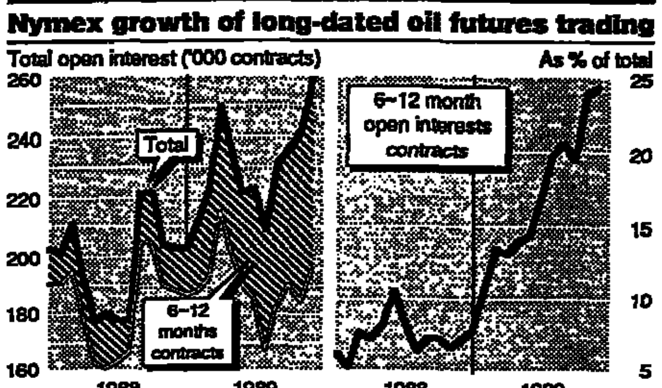
Indeed this is the source of the added value that providers of swaps and options offer customers – keeping a book on long maturity risk for which there are no off-the-shelf hedging products. But there is also a potential credit risk in the case of swaps. And if a consumer locks in a price at the wrong time, he could find industrial competitors benefiting from cheaper fuel while he must pay the swap provider.

Consumers have generally been hedging only a portion of their fuel requirements, say 15 per cent. Yet the recent experience of airlines, where profits have been hit badly by rising fuel costs, could lead this proportion to increase.

Management of this sort of risk has presented an intellectual puzzle to traders, who say there has been a rise in the number of PhDs working the screens or in the back rooms designing computer programmes.

"The level of sophistication of trading derivative products is tremendous," says Mr Neil Bresolin of Phibro. "We push to the limits of what we feel comfortable with."

Nymex growth of long-dated oil futures trading



Phibro believes that some potential competitors have been frightened off by the sheer complexity, and the costs of getting it wrong.

Mr Saperia says the company is faced with much greater demand for business than it can comfortably accommodate, but that gradually the size of its book is increasing as it feels confident that it can manage the risk. Ms Cox describes a similar growth in the business, involving periodic trips to the BP Oil board to lift exposure limits as managers gradually grow accustomed to taking this unfamiliar sort of risk on the books.

Ms Cox predicts an eventual shakeout among providers of these products, perhaps occasioned by sudden changes in the market.

Chase claims to have done the first deal in 1986, but ran into trouble with the US Commodity Futures Trading Commission over suspicions that the products were futures transactions that must be subject to its jurisdiction. The market then moved to Europe, but has now taken off in the US following a CFTC ruling last summer under which it exempted the products from regulation.

Chase and others found that organised futures markets did not meet the needs of many consumers. Products traded were different from those used by consumers. The futures allowed a hedge at only one point in time, whereas many consumers wanted to lock in an average price that would protect a budgeted cash flow. Low levels of futures liquidity beyond three or four months made longer term hedging difficult. Consumers may have been able to overcome these problems, but not without establishing a sophisticated and expensive trading operation.

"We have the economies of scale here to provide a cost-effective hedging service for our clients," says Mr Michael Harper, director of commodity indexed swaps and finance at Chase.

Growth of the industry has swelled trading in the forward trading months at the Nymex, which has become the sole venue for medium-term hedging. Although the London-based International Petroleum Exchange has achieved good volume in its Brent crude contract, liquidity only extends to two or three months.

Some argue that swaps have changed the shape of the Nymex price curve. Oil markets have traditionally traded in backwardation, in which prompt months trade at premiums to forward months. This is an anomalous price curve found in other commodity markets only when nearby supplies are tight.

Mr Harper believes backwardation persisted in oil markets in part because they were dominated by oil producers with short futures positions, and with relatively little offsetting consumer participation. With a rise in consumers' long futures positions as swap providers offset their risk in the futures markets, however, Mr Harper believes contango, in which prompt prices are relatively cheap, may become more common.

These seemingly arcane market characteristics are important because traders seek to protect themselves by taking opposing positions at different points on the curve itself, rather than betting outright on oil prices. When the curve changes shape, millions are lost or gained.

Mr Harper says the market has tended to grow in lurches as consumers and producers seize opportunities at what they hope are the extremes of the price cycle. Yet many producers, he says, are reluctant to hedge future oil prices because they believe investors buy their shares in part to take a punt on prices. With the *availability of synthetic oil*, which is a pure oil price investment, however, he argues this view is increasingly out of date.

Moscow and US say grain problem solved

By Leyla Boulton in Moscow

THE SOVIET Union and major US exporters appear to have overcome difficulties over late Soviet payments for American grain imports.

The head of Exportkhleb, the Soviet grain-buying agency, and one of the major US players disclosed after meeting in Moscow this week that there had been problems recently but said these were now resolved.

Mr Whitney Macmillan, chairman of Cargill, the US grain trading company, told the *Financial Times* before leaving Moscow yesterday evening: "Back in March I felt pretty insecure but now I feel much better. I don't have a problem now." Mr Macmillan was in Moscow this week as part of a US Soviet commission to discuss trade and economic co-operation ahead of next week's summit in Washington.

Mr Oleg Klimov, the chairman of Exportkhleb, said "there was a serious problem in February but since the beginning of May we've settled everything." He said that discussions this week had focussed mainly on Soviet economic reform plans and "what we can expect for the new season." The two sides had also agreed to settle what he called minor non-grain problems.

He gave soyameal as an example. "I told Mr Macmillan that now that we had solved more than 90 per cent of the problem why not settle the balance? They are very satisfied," he said.

He said that the Soviet Union had fallen behind on payments because of a row about bank guarantees between Exportkhleb and Soviet credit institutions. "We argued about the conditions for extending payments for four, 12, six months," Mr Klimov said. In the past 18 months, the Soviet Union has shifted from buying grain for cash to a credit basis as part of its economic restructuring.

Mr Macmillan said the problem was due to Soviet problems in balancing export receipts with import spending.

The delegation of senior US businessmen also included executives from Louis Dreyfus and Arthur Daniels Midland.

Back in March and April, the international grain trade declined to comment on reports that the Soviet Union was seriously behind with payments and that major US companies had decided not to sell because Moscow had not paid up on earlier contracts.

Neither Mr Macmillan nor Mr Klimov would yesterday give figures for the Soviet arrears or confirm that US companies had explicitly declined sales. But Mr Klimov rejected as excessive estimates that the delayed Soviet payments had totalled as much as $500m.

Forestry review ruled out

By Bridget Bloom, Agriculture Correspondent

THE UK Government has dismissed calls from the House of Commons Select Committee on Agriculture for a review of its forestry policy.

The Committee, which reported last February after a two year enquiry into forestry and land use, also called for the state owned Forestry Commission to be split in two to "eliminate the perceived conflict of interest within the Commission in its roles as nationalised industry and regulatory authority."

In its response to the report, the Government says the Commission should stay as it is, while a review would not be useful since forestry policy "has already moved substantially in the directions favoured by the Committee." *House of Commons paper 402. HMSO £3.70.*

MacSharry stands firm on beef regime

By Tim Dickson in Killarney

THE EUROPEAN Community has no intention of easing buying-in restrictions in the EC beef regime, Mr Raymond MacSharry insisted yesterday.

Speaking at an international meat conference in Killarney, Ireland, the Brussels Commissioner said he has been "concerned about recent trends in prices and the strong use of intervention over the last 12 months."

Quantities offered under recent tenders had been in excess of what was normally expected at this time of year and "the intake is double what we intended."

Under the reforms of the EC beef regime, the Community is obliged only to buy 220,000 tonnes of surplus beef each year – a limit which was comfortably respected in the 12 months to April, 1990. However, given the underlying market conditions and indications that the outbreak of BSE, or mad cow disease, in Britain is hitting consumption of beef, there is a strong danger that the threshold could be reached in the coming year.

The new rules of the regime require that Brussels intervene beyond 220,000 tonnes when prices fall below a certain level – but Mr MacSharry made clear yesterday that he is determined to avoid this. "Any responsible approach to the market must ensure that intervention be concentrated on periods of peak supply," he said.

"The safety net aspect has to remain the primary focus in our intervention policy. The present situation should not be seen as an opportunity for raising expectations as regards higher levels of intervention generally."

Commenting on Mr MacSharry's remarks, one Irish government official at the conference predicted that Brussels might try to rely on "other instruments of control," such as export refunds (subsidies) and aids for private storage.

On BSE the Commission said that chief veterinary officers of the EC were conducting a review at a meeting in Ireland this week and that a workshop was to be set up so that experts from all the member states "are associated with the work that is going on."

He said the beef industry needed to take "an initiative" to ensure consumer confidence in meat and hinted that money could be available from Brussels in the context of a plan he has been considering for 12 to 18 months to finance EC food promotion generally.

Commenting on external markets, Mr MacSharry said it was difficult to justify the *de facto* exclusion of Community traders from lucrative markets in North America and the Far East at a time when the Community was being pressed to open its markets to increase imports. On sheepmeat Mr MacSharry also cautioned against emerging signs of over-production. The market, he said, was "unlikely to absorb increasing quantities in line with recent trends" and there were strict limits to what the Community could do in the way of supporting market prices.

Dry weather hits Brazil's grain and soya crops

By John Barham in Sao Paulo

THE BRAZILIAN grain harvest is expected to show a heavy decline this year. Dry weather in the country's agricultural heartland and low prices for last year's harvest are expected to cause a 13.6 per cent decline in national output to 62.1m tonnes, according to the Brazilian Statistics and Geography Institute.

The harvest of soyabeans, rice and maize is likely to be the smallest in four years, after reaching a peak of 71.8m tonnes in 1989. Soyabean production is expected to decline by 15.4m to 21.3m tonnes.

Private traders are more pessimistic than the institute. "We are working with a harvest forecast of 19m tonnes, which is an average of the various private estimates," One analyst said. He thought exports would decline to 12.6m tonnes.

Brazil is the world's second biggest soyabean producer, after the US. Brazilian exports last year were 15.4m tonnes, equivalent to almost two-thirds of its output.

The rice harvest is expected to fall 24 per cent to 8.4m tonnes, compared with domestic consumption of 11m tonnes, while maize output is projected to by 14.5 per cent to 22.6m tonnes.

Bad weather is also damaging the coffee crop. In Minas Gerais, now Brazil's leading coffee-producing state, heavy rain and cold winds have damaged both quantity and quality.

Call for spice association

By David Blackwell

THE EUROPEAN spice trade needs to act quickly in setting proper technical standards if it is to survive intact after 1992, an international pepper industry conference was told yesterday.

"To talk of fair average quality in this day and age is simply ridiculous," Mr John Davies, chief executive of Lion Foods, the UK's biggest spice importer and processor, told delegates at the London conference.

He urged the European trade to form a proper association and agree on a European contract with agreed technical specifications and quality and hygiene controls. "In the absence of such an association it would seem inevitable to me that the volume of business and the number of participants will decline."

Controls and legislation on such things as pesticide residues would emanate from the European Commission without any input from the trade, he warned. While the trade remained fragmented, it would be unable to protect itself.

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA prices closed sharply up in London and were well ahead in New York by midsession as concern continued over the political tension in the Ivory Coast, the world's leading producer. Traders said they doubted whether an announcement that plans for salary cuts had been dropped would be enough to contain unrest. The Ivorian Government also said it would be unable to meet the salary demands of some members of the security forces who have staged sporadic demonstrations in Abidjan in the past two weeks. "Earlier this week the Ivorian government appeared ready to satisfy a number of pay demands... They are now saying that those demands are not going to be met which, in my opinion, negates what they have done to pacify the situation," one London trader said. Gold moved ahead on the London bullion market after Wednesday's sharp fall. Traders said although Wednesday's big sale would probably be felt for a while it was a one-off move. "Whatever business had to be done has been done and the market is left now to pick up the pieces which it seems to be doing very quietly at the moment," said an analyst.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.20-4.30q	+0.05
Brent Blend	$16.67-6.70q	-.015
W.T.I. (1 pm est)	$17.98-7.98q	-0.19
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$227-229	-1
Gas Oil	$150-152	+0.5
Heavy Fuel Oil	$66-68	
Naphtha	$151-152	+0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$366.50	+2.75
Silver (per troy oz)♣	527c	+4
Platinum (per troy oz)	$499.25	+3.60
Palladium (per troy oz)	$121.25	+1.50
Aluminium (free market)	$1550	-15
Copper (US Producer)	124.00c	-0.75
Lead (US Producer)	45c	
Nickel (free market)	385c	
Tin (Kuala Lumpur market)	17.00r	-0.16
Tin (New York)	300c	
Zinc (US Prime Western)	67c	
Cattle (live weight)†	105.69p	-2.27*
Sheep (dead weight)†	223.45p	+3.77*
Pigs (live weight)†	114.00p	+8.98*
London daily sugar (raw)	$347.6z	-6.4
London daily sugar (white)	$442z	-5
Tate and Lyle export price	£319.5	-3.0
Barley (English feed)	£112u	
Maize (US No. 3 yellow)	£144w	
Wheat (US Dark Northern)	£124	
Rubber (Jul)♥	56.00p	+0.50
Rubber (Aug)♥	56.50p	
Rubber (KL RSS No 1 Jun)	232.0m	+0.5
Coconut oil (Philippines)§	Unq	
Palm Oil (Malaysian)§	$275w	
Copra (Philippines)§	$230	
Soyabeans (US)	£160v	
Cotton "A" Index	88.65c	
Wooltops (64s Super)	536p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jul. t-May/Jun. u-Aug v-May/Aug. w-Jun z-Jun/Jul y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Aug	329.80	323.80	331.60	322.00
Oct	327.60	321.60	329.20	320.00
Dec	326.00	323.00	311.00	306.00
Mar	310.80	305.60	312.40	304.00
May	310.00	304.60	307.00	302.00
Aug	309.00	303.80	309.00	302.00
White	Close	Previous	High/Low	
Aug	438.5	434.5	439.5	434.0
Oct	403.0	399.0	404.0	398.0
Dec	391.5	398.8	389.0	384.5
Mar	386.0	382.5	384.5	380.0

Turnover: Raw2688 (2305)lots of 50 tonnes. White 898 (766)

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Jul	16.70	16.75	16.85	16.59
Aug	17.12	17.08	17.21	16.95
Sep	17.38	17.36	17.49	17.30
IPE Index	17.18	17.29		

Turnover: 7655 (7792)

GAS OIL – IPE			$/tonne	
	Latest	Previous	High/Low	
Jun	150.00	149.50	150.50	149.00
Jul	150.25	150.00	150.50	149.00
Aug	152.25	151.25	152.00	150.50
Sep	154.75	153.75	154.50	152.50
Oct	156.50	155.50	157.00	155.00
Nov	158.50	157.50	159.00	157.25
Dec	160.25	159.25	160.50	159.75
Jan	159.75	158.75	159.50	
Feb	158.75	157.50	158.25	

Turnover 3993 (3907)lots of 100 tonnes

FRUIT & VEGETABLES
Kiwifruit at 12-25p each (12-25p), lemons at 8-18p (8-18p) and oranges at 8-20p (8-20p) are all abundant this week, reports the FFVIB. Imported cherries are a good buy at £1.20-1.70 a lb (£1.20-1.80), as are Chilean grapes varieties at 80p-£1.20 a lb (80p-£1.50). Jersey Royal potatoes are a superb buy at 36-45p a lb (50-65p). Top quality courgettes are now available at 45-70p a lb (75-£1.00). Cauliflowers are good value at 30-70p each (35-75p). Round lettuce at 25-40p each (25-40p) and Icebergs at 40-65p each (45-65p) are both excellent value as are cucumbers at 40-70p each (35-60p).

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
May	948	914	944	935
Jul	967	935	968	933
Sep	982	951	988	949
Dec	998	967	1001	968
Mar	1013	983	1018	986
May	1027	998	1029	1005
Jul	1043	1013	1045	1022

Turnover: 7723 (7486) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 23 1145.88 (1159.70) 10 day average for May 24 1113.29 (1100.17)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
May	646	637	645	632
Jul	692	657	683	660
Sep	675	667	675	662
Nov	684	680	688	675
Jan	695	692	700	690
Mar	710	705	703	

turnover: 1807 (267) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 23: Comp. daily 74.62 (74.61). 15 day average 73.06 (72.89)

POTATOES – BFE			£/tonne	
	Close	Previous	High/Low	
Nov	128.0	129.0		
Apr	187.0	185.0	186.5	181.5

Turnover 101 (186) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne
	Close	Previous	High/Low
Aug	119.00	119.00	
Oct	121.00	120.60	121.00

Turnover 10 (143) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point	
	Close	Previous	High/Low	
May	1320	1322		
Jun	1218	1203	1215	1205
Jul	1120	1103	1120	1110
Oct	1215	1214	1215	1210
Jan	1245	1245		
Apr	1250	1250		
BFI	1317	1317		

Turnover 99 (258)

GRAINS – BFE			£/tonne	
Wheat	Close	Previous	High/Low	
Jun	119.70	120.40	119.75	119.35
Sep	113.50	113.25	113.50	
Nov	117.45	117.25	117.85	117.50
Jan	120.70	120.35	120.70	120.65
Mar	124.00	123.75	124.10	124.00
May	127.00		127.00	
Barley	Close	Previous	High/Low	
Sep	111.65	111.25	111.65	
Nov	115.95	115.40	115.90	115.80

Turnover: Wheat 289 (171), Barley 3 (34).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg	
	Close	Previous	High/Low	
Jun	133.5	132.0	134.0	132.0
Aug	121.5	122.0	121.4	121.0
Oct	123.0	123.5	123.0	

Turnover 198 (22) lots of 3,250 kg

LONDON METAL EXCHANGE						(Prices supplied by Amalgamated Metal Trading)
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 11,750 tonne.
Cash	1590-2	1552-4		1546-7		
3 months	1583-4	1574-5	1585/1571	1571-2	1582-3	46,526 lots
Copper, Grade A (£ per tonne)						Ring turnover 23,250 tonne
Cash	1603-4	1596-8	1600/1590	1591-3		
3 months	1520-1	1505-8	1521/1514	1514-5	1517-8	80,323 lots
Lead (£ per tonne)						Ring turnover 4,175 tonne
Cash	496-8	488-90	492	492.5-3.0		
3 months	491-2	486-7	491/488	488.5-9.0	489-91	9,831 lots
Nickel ($ per tonne)						Ring turnover 1,140 tonne
Cash	8340-60	8375-400	8430/8375	8350-75		
3 months	8350-75	8380-400	8475/8350	8400-25	8475-500	8,172 lots
Tin ($ per tonne)						Ring turnover 1,295 tonne
Cash	6360-5	6380-90	6365/6320	6310-20		
3 months	6450-60	6500-10	6500/6430	6435-45	6490-500	6,121 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 13,050 tonne
Cash	1765-70	1755-60	1780/1778	1778-9		
3 months	1705-7	1694-5	1717/1700	1710-2	1714-5	18,946 lots

LME Closing £/$ rate:
SPOT: 1.6920 3 months: 1.6647 6 months: 1.6406 9 months: 1.6198

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	366¼-366¾	216¼-216¾
Opening	365¼-366¼	216-216½
Morning fix	367.65	217.031
Afternoon fix	366.60	216.569
Day's high	367-368¼	
Day's low	365¼-366¼	
Coins	$ price	£ equivalent
Mapleleaf	374-379	221-224
Britannia	374-379	221-224
US Eagle	374-379	221-224
Angel	374-379	221-224
Krugerrand	365-368	216-218
New Sov.	86-88	51-52½
Old Sov.	86-88	51-52½
Noble Plat	505.25-513.25	298.95-303.70
Silver fix	p/fine oz	US cts equiv
Spot	308.35	521.85
3 months	319.90	532.70
6 months	331.60	544.00
12 months	354.10	566.55

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1500	88	110	10	25
1600	28	53	49	66
1700	5	21	125	131
Copper (Grade A)	Calls		Puts	
2450	190	146	27	92
2550	123	101	58	140
2650	72	66	107	204
Coffee	Jul	Sep	Jul	Sep
600	67	87	5	14
650	31	54	19	31
700	12	33	50	60
Cocoa	Jul	Sep	Jul	Sep
900	78	78	11	47
950	45	54	28	73
1000	24	38	57	107
Brent Crude	Jul	Aug	Jul	Aug
1700	18	40	45	
1750	9		86	
1800	6		6	

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
May	366.5	364.1	0	0
Jun	368.9	364.6	367.8	366.1
Jul	368.9	366.7	369.5	368.5
Aug	371.3	369.1	372.3	370.5
Oct	376.1	373.8	377.1	375.9
Dec	380.7	378.4	381.5	380.0
Feb	385.5	383.2	386.0	384.5
Apr	390.3	387.9	390.7	390.0
Jun	395.5	393.0	396.0	395.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
May	522.8	523.0	526.0	525.5
Jun	523.5	523.8	0	0
Jul	527.5	527.8	531.4	524.5
Sep	536.0	536.4	540.0	534.0
Dec	548.0	548.3	551.5	545.5
Jan	551.8	552.2	0	0
Mar	559.5	560.0	562.0	558.0
May	567.7	568.4	571.0	567.5
Jul	576.0	576.8	0	0
Sep	584.7	585.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	119.95	119.00	121.05	119.30
Jun	119.30	118.05	119.30	118.30
Jul	116.55	115.05	116.90	115.55
Aug	112.20	110.60	111.80	111.80
Sep	110.60	109.55	111.00	110.00
Oct	109.50	108.30	0	0
Nov	108.00	106.85	0	0
Dec	106.75	105.65	106.75	106.00
Jan	105.35	104.35	0	0
Mar	103.25	102.45	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jul	18.06	18.14	18.27	17.91
Aug	18.77	18.77	18.86	18.61
Sep	19.22	19.20	19.30	19.07
Oct	19.67	19.57	19.66	19.42
Nov	19.89	19.75	19.89	19.65
Feb	20.01	19.86	20.01	19.90
Mar	20.00	19.85	20.01	19.85

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	500.7	498.2	503.0	498.5
Oct	507.1	504.6	509.0	505.0
Jan	513.1	510.6	515.0	515.0
Apr	519.0	516.5	0	0
Jul	524.9	522.4	0	0

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jun	4990	5021	5030	4970
Jul	4995	5018	5020	4970
Aug	5085	5100	5105	5060
Sep	5250	5260	5260	5225
Oct	5350	5357	5360	5325
Dec	5555	5548	5560	5525
Jan	5590	5583	5580	5570
Mar	5370	5338	5375	5340

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	1493	1466	1510	1475
Sep	1514	1485	1528	1495
Dec	1536	1506	1545	1516
Mar	1552	1529	1560	1548
May	1568	1543	1572	1560
Jul	1585	1560	1590	1581

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	97.30	96.35	97.60	96.80
Sep	99.00	98.28	99.40	98.65
Dec	101.50	100.59	101.80	100.75
Mar	103.40	102.80	103.55	103.00
Jul	106.90	106.50	0	0
Sep	107.50	107.63	109.25	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	14.60	14.36	14.62	14.30
Oct	14.70	14.34	14.74	14.28
Mar	14.11	13.86	14.17	13.78
May	14.01	13.80	14.12	13.72
Jul	13.83	13.62	13.83	13.57
Oct	13.66	13.48	13.46	13.40

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	79.54	79.65	80.47	79.15
Oct	70.97	71.38	71.52	70.50
Dec	68.25	68.35	68.49	67.75
Mar	69.15	69.18	69.22	68.65
May	69.50	69.55	69.50	69.28
Jul	69.35	69.40	69.25	69.25
Oct	64.25	64.26	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	195.75	195.45	198.00	194.50
Sep	192.35	191.50	192.35	190.90
Nov	186.00	185.90	186.00	185.00
Jan	182.95	182.05	183.00	182.50
Mar	182.95	182.35	181.50	181.50
May	182.70	181.35	0	0
Jul	182.70	181.35	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
May 24	May 23	mnth ago	yr ago
1920.7	1924.6	1937.3	2006.6

DOW JONES (Base: Dec. 31 1974 = 100)				
	May 23	May 22	mnth ago	yr ago
Spot	-	135.67	135.54	-
Futures	-	134.52	133.65	-

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	615/4	606/6	616/4	612/0
Aug	621/6	618/2	624/4	617/4
Sep	624/4	618/2	627/2	621/0
Nov	632/2	624/6	634/2	628/0
Jan	642/4	635/6	645/0	640/0
Mar	654/6	646/4	655/0	651/0
May	662/4	654/4	663/0	659/4
Jul	670/0	660/4	670/0	668/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	23.80	23.47	23.87	23.50
Aug	23.63	23.27	23.65	23.30
Sep	23.39	23.08	23.41	23.10
Oct	22.95	22.85	23.06	22.85
Dec	22.64	22.52	22.67	22.50
Jan	22.42	22.27	22.45	22.30
Mar	22.17	22.02	22.25	22.10
May	21.95	21.91	22.00	21.95

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	181.5	179.5	181.7	180.0
Aug	183.0	181.3	183.2	182.0
Sep	184.6	182.5	185.0	184.2
Oct	186.0	183.8	186.5	185.0
Dec	189.9	187.6	190.2	188.3
Jan	191.2	189.2	191.5	191.0
Mar	194.7	193.0	194.7	193.5
May	196.5	194.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	280/4	276/2	281/2	277/0
Sep	274/6	270/6	275/4	272/4
Dec	271/4	267/6	272/4	269/4
Mar	277/4	274/0	278/0	275/2
May	280/6	277/0	282/0	280/0
Jul	282/4	279/0	284/4	282/0
Sep	271/0	271/2	272/4	271/0
Dec	283/0	0	284/2	282/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	330/4	333/6	335/4	330/0
Sep	334/6	337/4	340/0	334/4
Dec	347/2	350/0	352/4	347/0
Mar	352/4	356/4	357/0	352/4
May	345/0	348/4	348/4	345/0
Jul	337/0	0	337/0	330/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	73.50	73.72	73.95	73.45
Aug	72.80	72.97	73.22	72.75
Oct	75.40	75.40	75.60	75.20
Dec	75.37	75.62	75.60	75.35
Feb	75.10	75.30	75.30	75.00
Apr	75.82	76.05	76.15	75.82
Jun	73.20	73.25	73.35	73.10

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	65.85	65.70	65.95	65.50
Jul	63.45	63.12	63.60	63.00
Aug	61.65	61.27	61.87	61.20
Oct	53.90	53.62	54.07	53.45
Dec	53.85	53.55	53.90	53.45
Feb	51.52	51.42	51.55	51.20
Apr	47.90	47.70	47.90	47.60
Jun	51.00	51.00	51.00	51.00

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	65.47	67.15	65.40	65.25
Aug	63.57	64.80	64.30	63.17
Feb	59.90	59.37	60.00	59.25
Mar	59.25	58.60	59.25	59.00
May	67.40	69.40	67.75	67.40

LONDON STOCK EXCHANGE

Marketmakers try to buy in stock

SEVERAL significant corporate developments occupied centre stage on the UK stock market yesterday. But over the market as a whole, the closure of a number of Continental markets for the Ascension Day holiday meant that the big UK based investment institutions were not inclined to trade in the absence of their European rivals.

Marketmakers were left to tidy up their trading positions and re-consider the outlook for domestic interest rates in the wake of the unappealing April trade deficit disclosed on Wednesday.

The absence of a firm lead left equities to trade erratically, with some marketmakers still short of stock and only too willing to buy shares when the market turned down. The early part of the session saw the FT-SE Index down by 18 points. A rally then set in, taking the index up by a net 8 points on overnight until an unconvincing opening on Wall Street eroded London's confidence and turned shares onto the downward path again.

Account Dealing Dates		
*First Dealings:		
May 14	May 29	Jun 11
Option Declarations:		
May 24	Jun 7	Jun 21
Last Dealings:		
May 25	Jun 8	Jun 22
Account Day:		
Jun 4	Jun 18	Jul 2

*New time dealings may take place from 8.00 am two business days earlier

The final reading showed the FT-SE Index at 2,277.1, a fall on the day of 10.3. Seaq volume remained fairly brisk at 420.3m shares but well down from the 542.1m of the previous session. International Stock Exchange data confirmed that customer business in London has recovered recently to above the £1bn daily mark – on Tuesday the customer total was £1.18bn.

Little heed was paid yesterday to the announcement of a 1.8 per cent gain in UK industrial production in March, although this was well above market forecasts. Weakness in UK gilts, however, continued to unsettle share prices. Some market firms were clearly taking a hard look at the recent upturn in equities. The strategy team at Kleinwort Benson remained on the bearish side, commenting: "We continue to see a setback during the summer months."

Special situations provided the market's highlights yesterday. Reuters shares rose strongly ahead of confirmation that the global communications group has won the screen-based trading contract for the Chicago Board of Trade and the Chicago Mercantile Exchange; the news, regarded as highly bullish for Reuters, was signalled by a large overnight share trade which failed at first to appear on London's electronic list of overnight deals.

The second half of the session brought a series of heavy deals in BAT Industries as the Hoylake camp sold half its stake through Salomon International in London. Hoylake will not be selling the rest of its stake because the remaining BAT shares are to be offered as an alternative to cash to shareholders. Hoylake is to be wound up.

The Hoylake sell-out was well received by London analysts, who take a favourable view of BAT prospects.

FINANCIAL TIMES STOCK INDICES

	May 24	May 23	May 22	May 21	May 18	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.36	78.58	79.23	79.23	78.74	86.06	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	87.29	87.25	87.42	87.45	87.27	96.87	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1805.2	1810.0	1829.5	1810.8	1793.3	1777.3	1988.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	209.7	211.5	211.6	212.6	207.1	170.4	378.5 (6/2)	207.1 (18/5)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2277.1	2287.4	2311.3	2282.1	2269.1	2142.0	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.08	5.07	5.02	5.08	5.13	4.47				
Earning Yld %(full)	11.48	11.47	11.35	11.43	11.58	10.83				
P/E Ratio(Net)(☆)	10.52	10.54	10.65	10.58	10.48	11.19				
SEAQ Bargns 4.45pm	24,440	31,298	32,954	25,555	38,128	24,160				
Equity Turnover(£m)†	-	1112.50	1179.21	666.61	1156.67	1233.75				
Equity Bargains†	-	30,814	31,367	26,085	36,238	26,189				
Shares Traded (ml)†	-	460.4	481.5	387.7	478.1	458.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10 41

Ordinary Share Index, Hourly changes — Day's High 1816.7 — Day's Low 1795.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1809.5	1801.2	1797.9	1802.1	1805.9	1814.1	1813.0	1809.6	1804.4

FT-SE, Hourly changes — Day's High 2295.4 — Day's Low 2269.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2287.9	2276.9	2271.5	2278.0	2282.6	2292.4	2290.4	2284.3	2276.4

GILT EDGED ACTIVITY

Indices*	May 23	May 22
Gilt Edged Bargains	108.8	125.3
5 – Day average	110.9	100.4

*SE Activity 1974 †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share index: Tel. 0898 123001

Hoylake cuts BAT holding

BAT Industries had already put in a firm performance against the market trend when a block of 9m shares, and two more of 4m and 4.2m, in the company appeared on the ticker in the early afternoon. Traders immediately speculated that Hoylake, the acquisition vehicle run by Sir James Goldsmith, the Anglo-French entrepreneur, had sold half of its 1¼ per cent stake in the company. Another 5.2m shares changed hands just before the close, taking turnover to 24m, the highest day's total for the stock since Hoylake's bid last summer.

Hoylake later confirmed it had sold the shares, saying that the move was a prelude to distributing the rest of the stake to its shareholders before winding up the company. It said the trades had been done through Salomon Brothers, and dealers assumed that this meant the buyers were in the US, a notion backed by heavy turnover in New York.

BAT added to its earlier gains to close at the day's high of 703p, up a net 19.

Telecom connects

The market gave a ready response to British Telecom's preliminary results and a subsequent analysts' meeting, which was described as encouraging. Commented one specialist: "Plenty of analysts have been upgrading their forecasts from levels which were always too low."

The pre-tax profit figure for the year came out at £2.3bn, after a £390m provision made for the big job losses announced some weeks ago in BT's "Project Sovereign" reorganisation. The provision was said to be slightly higher than many had expected, although the dividend total was also considered to be slightly above expectations.

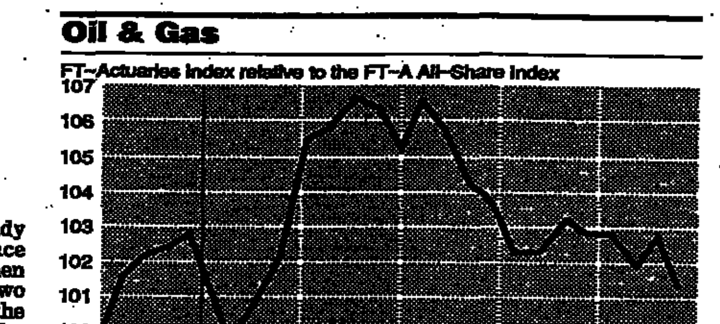
One analyst said the meeting with BT management was "very positive, with call volumes, both inland and international, holding up very much better than had been expected; couple that to the fact that costs are under control and you have good news." He added, however, that the shares have outperformed the market.

Mr Christopher Tucker of Kitcat & Aitken, who said he was sticking with his current-year forecast of £2.98bn, described the results as "a good solid performance." He added that he found encouraging the *fact* that growth in call volumes and exchange line rentals was so strong in current economic conditions. "The reorganisation should blow away the cobwebs left over from BT's days in the public sector," said Mr Tucker.

BT shares settled 8 higher at 286p, after 289p, with turnover a higher-than-usual 13m.

Oil & Gas

FT–Actuaries index relative to the FT–A All–Share index



Reuters strengthens

News that the Chicago Board of Trade and the Chicago Mercantile Exchange, the world's biggest futures exchanges, have agreed to adopt Reuters' Globex trading system gave the company's shares a strong push. The stock was 34 higher at one point and closed a net 28 ahead at 1160p. A substantial 1.2m shares changed hands.

Mr Brian Newman at Henderson Crosthwaite said Reuters was now in a position to dominate the world of futures trading, as it had done with foreign exchange. He added that many more of the world's futures exchanges were likely to follow Chicago's move. Globex begins operation this autumn and Mr Newman said the benefits would be visible in the 1991 financial year.

This underpinned the share price, as did news of a presentation on the company held the previous day by James Capel. Mr Quintin Price at Capel, the agency analyst and former head of options research, took a strongly bullish line on the Chicago news. He said Reuters had agreements in principle with 60 per cent of the world's futures exchanges, and the Chicago news alone would add another £30m to revenues in 1992 and £40m in 1993. He added that this week had also seen the Japanese Ministry of Finance say it had no objection to Globex being used in Japan.

A third analyst, however, took a more measured line. He said that the sharp rise in the share price was "the market reminding itself of what it already knew." He conceded the news showed that Reuters was "in on the ground floor" of a new area, but argued that there was no short-term significance.

Traders of the stock had earlier been distracted by Stock Exchange announcements explaining that a trade of 2.5m Reuter shares that appeared on the ticker just after the market opened should have been on the overnight ticker instead. A story spread that one US house had sold the entire block and thus had a short position.

Thorn EMI shares rose strongly in good volume after the group announced it had sold its lighting division to US group GTE. Thorn did not divulge the sum it is receiving for the lighting business.

Many said the amount would be in the region of £350m to £400m, but one usually well-informed source mentioned a figure "very close to £300m." He said the disposal was disappointing regarding price, although it did relieve Thorn's debt position. "It improves the balance sheet but the price is acutely disappointing."

It was believed that lighting businesses had performed very badly over the past 12 months in spite of a number of overseas acquisitions, notably in France, Australia, Sweden and Norway, for something in the region of £140m.

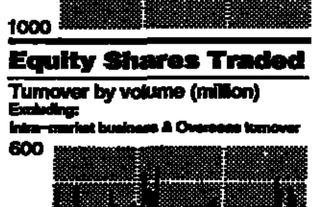
Thorn is scheduled to announce preliminary results next Thursday, with a pre-tax profits figure of £315m pencilled in by many analysts, against last year's £289m. Thorn shares advanced 21 to 733p with turnover reaching 1.8m.

The gloomy predictions that crude oil prices may fall back to as low as $15 a barrel without some strict production discipline by Opec members, coupled with the more cautious stance adopted by Kleinwort Benson, the securities house, led to marked underperformance by the oil and gas sector.

The sector had easily outpaced the FT-A All-share index in the first two months of the year (See chart) when crude prices were buoyed by bad weather in the US, but have since fallen sharply as oil prices turned easier.

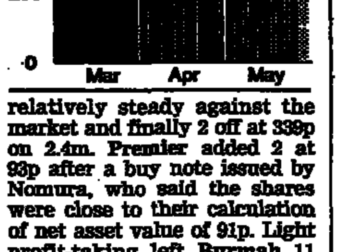
BP, much more highly geared to oil prices than Shell, fell 7 to 316p yesterday on turnover of 7.2m, while Shell lost 7 to 457p on 3.4m. British Gas, after news that its bid for Consumers Gas, of Toronto, was to be matched by a rival bidder, responded by edging ahead to 216p on 6m shares. Keen interest in Ultramar saw the stock relatively steady against the market and finally 2 off at 339p on 2.4m. Premier added 2 at 93p after a buy note issued by Nomura, who said the shares were close to their calculation of net asset value of 91p. Light profit-taking left Burmah 11 down at 615p and Calor 8 cheaper at 267p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Trading in Mecca was stimulated late in the day by suggestions that Rank Organisation would launch its much talked-of bid last night at 110p a share. When the offer failed to materialise, many brokers speculated that an early announcement would be made today. Mecca climbed 5 to 82p on good volume of 8.1m shares.

USM-quoted Radio City "A" shares climbed 18 to 341p after news that the company's chief executive, Mr Terry Smith, revealed he had acquired another 8,422 voting shares, or 2.5 per cent, taking his stake to 21.66 per cent.

Interim profits from Chiltern Radio were 23 per cent higher at £403,000 and the shares added 5 at 170p.

Gerrard & National Discount spearheaded a general advance by the discount houses after revealing excellent preliminary results, showing pre-tax profits up from £1.69m to £8.52m. Gerrard shares were 8 up at 312p.

The banks performed in a similar fashion to their trend on Wednesday, when the sector progressed for much of the day before retreating sharply late in the session.

This time it was said in the market that a substantial profits downgrade in Midland by Nomura triggered the slide. The Japanese securities house was said to have lowered its 1990 forecast of pre-tax profits from above £500m to below £400m, although the story was not confirmed. Midland shares, up to 287p early in the session, eventually closed 10 down at 274p on turnover of 2.1m.

Barclays, upset the previous day by a profits downgrade, fell 5 more to 539p on 1.4m, while NatWest lost 3 to 331p. TSB, labelled a "core buy" in the banks sector by County NatWest, managed a 2 gain at 144p, while Royal Bank of Scotland held at 175p despite the weakness elsewhere in the high street banks. The reappearance of a substantial seller of London & Manchester, the life assurance group, left the shares 7 weaker at 326p.

Composite insurances showed Sun Alliance a major casualty and 9 lower at 313p, with Kleinwort Benson reported to have cut its current year estimate of pre-tax profits from £140m to £30m to accommodate big claims for bad weather and subsidence.

Interim figures from MEPC – pre-tax profits were 20 per cent higher - and a gloomy statement from the company regarding property values knocked its shares down 20 to 489p. Land Securities, despite the optimism generated by its preliminary figures and net asset value announced on Wednesday, lost 11 to 487p. Speyhawk endured another painful session in the market, closing 15 off at 170p.

BDA shot up from 19p to 30p before closing a net 6 higher at 25p on news that Mr J. Richard Wollenburg had acquired an option to buy a 22.12 per cent stake in the group from Mr Steve Smith, joint managing director, at 25p a share. BHH, on the other hand, slumped 17 to 60p on news of the failed management buyout. London & Metropolitan surged 13 to 77p after bullish remarks by the chairman at the annual meeting.

Hunting attracted persistent support and edged higher to 156p after the chairman said at the annual meeting that the group intended paying an increased dividend for the year.

Bass continued to weaken, hurt by the brokers' downgradings that followed disappointing interim figures on Wednesday. The shares, down 17 to 1046p, were additionally hit, said traders, by a recommendation from one securities house to switch to Allied Lyons, which rose 3 to 470p.

Lloyds Chemists dipped 6 to 171p after the company revealed the £23.2m acquisition of Cross and Herbert, which owns 73 retail chemist stores in southern England.

Greetings card company Fine Arts Developments published final profits 14 per cent higher at £25.7m. The shares climbed 9 to 213p.

Lucas continued to benefit from a recommendation by BZW, while traders looked forward to the possibility of a share split early next month which they said would significantly improve liquidity. The price was 9 better at one point and closed a net 2 up at 635p.

■ Other Market statistics, including the FT-Actuaries share index, Page 29

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	1,900	182	+2	Courtaulds	1,300	330	+2	MEPC	467	489	-20	Slough Ests	863	287	-4
ASDA Group	2,800	103	-3	Dalgety	1,700	350	-8	Manpower	78	77		Smith (W.H.) A	111	328	-2
Abbey National	1,900	196	+1	Dixons	5,300	125	+1	Marks & Spencer	3,100	218	-3	Smith & Nephew	1,600	109	+½
Allied-Lyons	873	470	+3	ECC Group	558	375	-9	Maxwell Comm.	1,600	194		SmKl Beecham	4,000	529½	-3½
Amstrad	700	67½	-½	Enterprise Oil	727	611	-6	Mecca Leisure	8,100	82	+5	SmKl Beecham Units	124	2480	+2
Anglian Water	733	159½	-1½	FKI	4,500	68	-1	Midland Bank	2,100	274	-10	Smiths Inds.	379	259	+1
Argos	1,200	209	+2	Ferranti	2,400	37		NatWest Bank	3,000	331	-3	South West Water	221	161	-3
Argyll Group	1,400	229		Fisons	1,200	357	-1	Next	831	71	+1	Southern Water	314	133	-3
Ass. Brit. Foods	205	393	-2	Gen. Accident	385	1058	-9	North West Water	541	158½	-1½	Standard Chartd.	489	459	-3½
BAA	270	405	-2	General Elect.	2,900	205	-2	Northern Foods	853	299	-4	Storehouse	24	109	
BAT Inds.	24,000	703	+19	Glaxo	2,100	805	-6	Northumbrian Water	643	170	-1	Sun Alliance	3,600	313	-9
BET	847	327	-4	Globe Inv.	744	185		Pearson	282	705	-5	Sun Life	22	1265	
BICC	217	430	-1	Glynwed Int.	408	259		P & O	358	612	-7	T&N	283	180	-2
BOC	415	606	-1	Granada	9	249		Pilkington	1,700	183	-6	TI Group	219	478	-5
BPB Inds.	305	228	-3	Grand Met.	3,300	605	-9	Polly Peck Int.	2,700	405	+5	TSB	1,600	134	-½
BTR	2,300	416	-5	GUS A	220	963	-6	Prudential	5,200	217	-1	Tarmac	2,800	246	-5
Barclays	1,400	539	-5	GRE	971	224	-2	RHM	2,500	361	+1	Tate & Lyle	659	288	
Bass	1,200	1046	-17	GKN	1,100	374	-1	RMC	408	860	-12	Taylor Woodrow	1,000	287	-6
Beazer	984	135	-1	Guinness	1,500	709	+1	RTZ	845	548	-7	Tesco	2,200	218	-3
Berisford Int.	548	130	-3	Hammerson "A"	3	702	-3	Racal	3,800	218	-2	Thames Water	567	143	-2½
Blue Circle	2,100	243	+1	Hanson	4,300	228½	-3	Racal Telecom	182	370	+1	THORN EMI	1,800	733	+21
Boots	1,800	278	-1	Hanson Warrants	986	55½	-1	Rank Org.	367	798	-4	Trafalgar House	421	310	-4
Brit. Aerospace	639	523	+4	Harrisons Crosfield	553	158	-2	Reckitt & Colman	87	1211	-9	Trusthouse Forte	1,900	278	+3
British Airways	2,200	206	+2	Hawker Sidd.	945	686	-6	Redland	580	578	-6	Ultramar	2,400	339	-2
British Gas	8,200	213	+1	Hillsdown	1,200	249	+2	Reed Intl.	790	428		Unigate	624	298	-3
British Land	58	336	-2	IMI	41	234	+1	Reuters	1,200	1160	+28	Unilever	1,200	683	-5
BP	7,200	316	-7	ICI	838	1174	-5	Rolls Royce	4,000	213½	-2½	United Biscuits	1,600	342	+1
British Steel	3,700	146	-1	Inchcape	444	272	+1	Rothmans	18	882	-8	Utd. Newspapers	135	323	-1
British Telecom	13,000	286	+8	Kingfisher	737	309	-2	Ryl Bk Scotland	536	174	-1	Water Package Uts.	2	£1629	-17
Bunzl	1,700	95	+2	Ladbroke	3,200	307	-6	Royal Insurance	1,200	441	-7	Wellcome	341	656	-3
Burmah Oil	449	615	-11	Land Securities	1,000	488	-12	STC	1,200	258	-3	Welsh Water	374	168	-2
Burton	2,100	180	+1	Laporte	498	524	-3	Saatchi	740	69		Wessex Water	394	153	+2
Cable & Wire.	1,400	531	+4	Legal & General	1,400	389	-5	Sainsbury	652	283	+1	Whitbread 'A'	1,600	417	-1
Cadburys	738	329		Lloyds Abbey	972	319	+2	Scottish & New.	1,100	319	+1	Williams Hldgs.	1,000	280	
Calor Group	41	267	-8	Lloyds Bank	1,900	264	-1	Sears	2,000	98	+½	Willis Faber	610	281	-1
Carlton Comms.	389	514	+7	LASMO	477	385	-8	Sedgwick	868	253	-1	Wimpey	888	233	-2
Coats Viyella	490	122½	+½	Lonrho	1,800	246		Severn Trent Water	615	137	-4	Yorkshire Water	178	164	-3
Comm. Union	709	465	-8	Lucas	1,000	635	+2	Shell Transport	3,400	457	-7				
Cookson	1,800	193	-4	MB Group	684	213	-1	Siebe	39	468	-2				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (48).
BRITISH FUNDS (1) AMERICANS (3) BANKS (1) BREWERS (1) BUILDINGS (2) CHEMICALS (2) STORES (3) ELECTRICALS (5) ENGINEERING (2) FOODS (1) HOTELS (1) INDUSTRIALS (13) AGA AB, Baird (Wm.), Bowater, Huntingdon Intl., Jardine, Kelsey Inds., Lilly (Eli), Low & Bonar, Quotient, Robertson Grp., Stora B Free, Swire Pac. A, Tomkins (FH) 5.6pc Cv. Pf., LEISURE (1) NEWSPAPERS (2) SHOES (1) TRANSPORT (1) TRUSTS (5) OVERSEAS TRADERS (1) THIRD MARKET (1).

NEW LOWS (56).
CANADIANS (8) BANKS (4) BREWERS (1) BUILDINGS (4) CHEMICALS (1) STORES (1) ELECTRICALS (1) ENGINEERING (1) FOODS (3) INDUSTRIALS (10) Apollo Watch Products, Brit. Bloodstock, Handley-Walker, Hanson 10p Cv. Ln., Hay (Norman), Isotron, Macarthy, Norton Grp., Oy Wartsila, Willaire Grp., LEISURE (2) MOTORS (1) NEWSPAPERS (1) PAPERS (2) PROPERTY (7) TEXTILES (3) TRUSTS (6) OILS (3) MINES (10) THIRD MARKET (2).

APPOINTMENTS

Senior posts at Yamaichi International

■ Mr Haruo Sato, managing director and chief executive of YAMAICHI INTERNATIONAL (EUROPE) has been promoted to a managing director of the parent company, Yamaichi Securities Co., and will shortly return to Tokyo to take up the position of head of the capital markets division.

His replacement in London will be Mr Tokuo Ukon, who joins YIE from Tokyo where he was in charge of the convertible bond and warrant department.

Further changes involve Mr Taro Yamada, chairman of YIE and managing director, YSC, Europe and the Middle East, who remains in London but has been promoted to senior managing director of YSC.

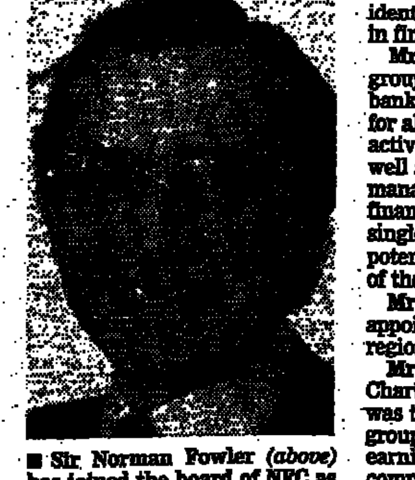
Another new face at Yamaichi's London office will be Mr S. Kobuse who joins as deputy managing director, head of bond trading.

■ SYNAPSE COMPUTER SERVICES has appointed Mr Michael Godman, a founder director, as its executive chairman.

■ PROJECT MANAGEMENT INTERNATIONAL has appointed two directors to its main board, Mr John Holland and Mr Ian F. Kaye. Mr Kaye will be based in the City office and Mr Kaye at head office in Harmondsworth.

■ MINET INSURANCE BROKERS (UK) has appointed Mr John Hopkins as an executive director responsible for its operations in Manchester, Liverpool and Leeds.

■ The AUTOMOBILE ASSOCIATION has appointed Mr Philip Pugh as executive manager for its road services operation in the Midlands and East Anglia. He joins from Forbo-CP, where he was manufacturing and operations director.



■ Sir Norman Fowler *(above)* has joined the board of NFC as a non-executive director. Sir Norman is MP for Sutton Coldfield and a Privy Counsellor.

■ STANDARD CHARTERED announced changes to its top management yesterday, *writes David Lascelles, Banking Editor.*

Mr Bill Brown becomes group deputy chairman while remaining deputy group chief executive. The intention is that he should travel more extensively and be responsible for the group's external perspective.

Mr Geoffrey Williams joins Standard Chartered from J. Henry Schroder Wagg in July as group executive director, merchant banking.

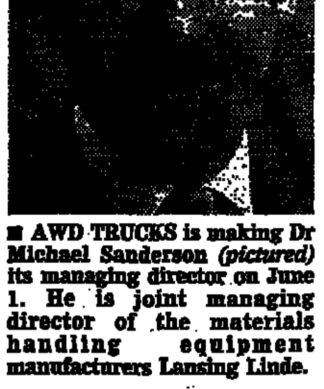
Mr John Mackenzie, group executive director, financial services, assumes resonsibility for building up the group's fee-earning side and identifying new oppportunities in financial services.

Mr Malcolm Williamson, group executive director, banking, becomes responsible for all mainstream banking activities round the world, as well as for credit risk management and trade finance. The appointment singles Mr Williamson as a potential future top executive of the group.

Mr David Moir has been appointed to the new post of regional director, East Asia.

Mr Rodney Galpin, Standard Chartered chairman, said it was timely to strengthen the group's banking and fee earning businessses to enhance competitiveness and achieve the objectives set out in last year's recovery plan.

■ Mr William C. Shanley is to become president of TATE & LYLE INC, New York, on October 1 when he retires as president and chief executive of Amstar Sugar Corp. Mr Jack F. Lay, senior vice president, will succeed him as president and chief executive of Amstar Sugar.



■ AWD TRUCKS is making Dr Michael Sanderson *(pictured)* its managing director on June 1. He is joint managing director of the materials handling equipment manufacturers Lansing Linde.

■ Mr Michael Neale, a vice president, became president of the INSTITUTION OF MECHANICAL ENGINEERS at the annual meeting.

■ Mr Adam Crescenzi, a senior vice president of the INDEX GROUP, has been made managing director of Index Group Europe.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
Index-Linked					(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21¾	14¼	Chase Manhattan $12½	15¼xd	......	$2.36	—	9.3
19⅛	14	Chem. Banking Corpn	16	+¼	$2.72	—	10.2
12½	9¼	Chrysler $6¼	9¼xd	......	$1.20	—	7.7
18¾	12⅝	Citicorp $1	14xd	......	$1.78	—	7.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	209	ANZ SA1	218	–2	44c	1.4	9.4	7.5
201	172	Abbey National 10p	196	+1	5.7	4.5	3.9	7.9
*274	210	Allied Irish Ord	216xr	.....	Q40%	♦	4.4	♦
£13½	£11¾	Algemene Fl.10	£11¾	.....	Q28%	2.1	7.5	6.3
85	73	Anglo Irish	75	.....	‡Q18.7%	2.7	5.9	10.2
81	68	Ansbacher (H.) 1p	75	+1	2.5	1.3	4.4	21.6
£71⅞	£54⅞	Bancaire Cie Fr100	£68⅞	–⅝	‡Q12¼%	–	2.0	–
£22¾	£16¾	Banco Bilbao Viz	£19	.....	Q49.1%	2.7	4.4	12.3
£31	£24¼	Banco de Santander	£27½	.....	Q25%	2.4	4.1	10.1
286	224	Bank Ireland Ir£1	237	+2	Q14.3%	♦	5.9	♦
£19½	£18	Bank Leumi	£19½	.....	–	–	–	
350	320	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	104	Bank Scotland	115	–1	4.55	3.3	5.3	7.6
100¾	83¾	Do. 9¼pc Irrd Pf	92	+½	9¼%	–	13.4	–
54	39	Bank of Wales	39	.....	2.8	0.8	9.6	(18.7)
599	493	Barclays £1	539	–5	27.4	3.5	6.8	5.3
22	13	Benchmark 20p	13	–1	1.63	1.0	16.7	7.5
335	310	Brown Shipley £1	324	+1	†10.5	–	4.3	–
455	361	Cater Allen £1	404	+16	23.5	–	7.8	–
179	137	Chancery	139	+2	†8.0	2.8	7.7	6.1
£23¼	£19⅝	Commerzbk DM10	£19¼	.....	Q18%	–	3.3	–
£13¼	842	Dai Ichi KBk Y50	933	–2	‡Q16%	8.8	0.3	35.7
£313⅝	£262¼	Deutsche Bk DM50	£274¾	–⅛	Q28%	–	1.8	–
£20⅞	£19	Espirito Santo	£19¼	+¼	Q75c	3.3	2.3	13.2
253	183	First Nat. Fin. 10p	217	–7	13.0	2.4	8.0	6.7
121	96	FNFC 6.3pc Cv. Pf	118	–1	6.3%	–	7.6	–
262	159	Fuji Bank Y50	194	+13	Q16%	4.2	0.3	–
325	262	Gerrard & National	312	+8	19.0	♦	8.6	♦
154	136	Guinness Mahon 10p	136	.....	2.1	–	2.1	–
328	223	Hambros 20p	265	–1	†10.0	–	5.0	–
128	93	Do. 7.5pc Cv Pf	105	–1	7½%	–	9.5	–
53½	43	HK & Shang HK$2.50	44	+½	‡Q38c	–	6.5	–
478	458	Joseph (Leo) £1	458	.....	15.85	–	4.6	–
146	126	King & Shaxson 20p	146	+1	10.25	♦	9.4	♦
422	340	Kleinwort Benson Grp	385	+1	16.0	2.5	5.5	9.8
642	402	Kyowa Bank Y50	502	–2	‡Q14%	4.7	0.6	38.0
307½	242	Lloyds £1	264	–1	13.3	2.6	6.7	6.2
56	44	Lon. Scot. Bank 10p	49	.....	2.4	1.8	6.5	10.3

Hire Purchase, Leasing, etc

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	.....	3.5	10.6	1.0	12.0
225	203	Airflow Streamlines	215	.....	6.0	♦	3.8	♦
190	145	Bostrom 5p	165	+3	5.75	3.1	4.6	7.5
266	191	Dowty 50p	225	-3	18.0	2.3	4.7	11.8
239	155	FR Group	155	-2	6.37	♦	5.5	♦
135	63	Kwik-Fit Hldgs. 10p	81	+4	2.4	1.7	4.0	20.4
694	568	Lucas Inds. £1	635	+2	†25.0	3.0	5.2	7.2
16	8½	Splice 5p	9	.....	‡01.2	0.4	‡	69.0

Garages and Distributors

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
28	19	Alexanders 10p	26	+1	1.0	3.0	5.1	7.8
135	110	Appleyard 10p	113	.....	7.8	2.4	9.2	5.3
110	75	Brassley Motor 20p	85	.....	7.5	1.9	11.8	6.1
568	505	Caffyns 50p	508	.....	11.5	0.4	3.0	—
121	100	Central Motor Auctns.	100	-1	3.25	3.0	4.3	10.1
61	26	Cook (D.C.) Hldgs.	34	.....	†1.33	—	‡	—
89	33	Cowie (T.) 5p	49	-2	4.2	2.2	11.4	4.6
95	68	Dagenham Motors 10p	73	.....	5.25	2.8	9.6	5.0
98	81	Davenport Vernon 10p	95	+2	3.5	3.6	4.9	6.6
29	16	Equity & Gen 5p	20	.....	†1.5	1.7	10.0	(7.1)
247	169	Evans Halshaw	175	+2	11.25	2.4	8.6	6.4
113	85	Gates (F.G.)	95	.....	2.75	♦	4.0	♦
161	106	Gowrings 10p	110	+4	5.63	1.3	6.8	12.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	51.55	51.55	55.13	+0.40	4.97
Gilts & Fixed Int	6	104.6	104.6	110.9	-1.2	9.92
High Inc Equity	6	129.9	133.3xd	141.8	-2.7	4.48
Worldwide Bond	6	189.4	189.4xd	200.7	+0.1	6.43
Capital Growth						
American Growth	6	191.6	193.3	205.6	+1.5	1.13
Asian Pacific	6	140.5	143.6	152.7	-0.2	0.00
Assets & Earnings	6	151.9	151.9	162.4	-2.0	2.99
Capital Reserve Acc	0	92.07	92.07	92.20	-0.31	6.51
Capital Reserve Inc	0	77.39	77.39	77.49	-0.26	7.74
Comdty & Energy	6	94.88	94.88	101.4	-1.3	0.00
Dividend & Growth	6	47.26	48.36	51.46	..	4.37
1992 Enterprise	6	61.52	62.83	66.84	-0.25	2.00
Euro Capital Acc	6	104.2	104.2	111.4	+0.5	0.85
Euro Capital Inc	6	100.1	100.1xd	107.0	+0.6	0.89
General	6	171.0	171.0	182.8	-2.7	2.74
International	6	60.49	61.09	64.98	+0.01	0.77
Japan	6	101.2	101.2	108.2	+0.2	0.00
Mastertrust	6	89.75	89.75	95.98	-0.05	1.54
UK Growth Acc	6	169.9	169.9	181.7	-1.4	1.78
UK Growth Dist	6	111.0	111.0xd	118.7	-0.9	2.73
US Emerging Cos	6	59.59	59.59	63.73	+1.00	0.00
Income & Growth	6	291.0	291.0xd	311.2	-3.5	3.29
Ethical	6	46.92	46.92	50.18	-0.26	1.99
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	32.60	32.60xd	34.80	+0.13	2.14
European	5¼	93.25	93.45	99.76	+0.10	0.00
European Income	5¼	88.72	88.72xd	94.65	+0.05	1.44
Exempt	1	741.4	741.4xd	764.8	-11.9	1.31
Exempt Income	3¼	171.9	171.9	182.2	-4.0	4.76

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brown Shipley & Co Ltd—Contd.						
North American	6	64.32	64.32	68.50	+0.28	0.38
Orient ‡	6	120.0	120.9xd	129.2	+0.60	—
Recovery	6	44.40	44.40xd	47.29	-0.36	3.80
Smaller Cos Acc	6	234.2	234.2xd	250.6	-0.60	—
Smaller Cos Inc	6	143.4	143.4xd	153.4	-0.50	1.28
Brycourt Unit Tst Mgmt Ltd (1400)F						
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382						
Income Growth	1	187.8	187.8xd	194.6	...	5.00
Buckmaster Mangmt Co Ltd (1200)H						
15 St Botolph Street, London EC3A 7JJ 071-247 4542						
Emerging Gwth	5¼	57.87	57.87	61.34	...	3.08
(Accum Units)	5¼	59.92	59.92xd	63.52	...	3.11
Fellowship Tst	5¼	62.75	63.50	67.56	-0.11	2.74
(Accum Units)	5¼	65.60	66.39	70.63	-0.12	2.72
General Inc	5¼	286.8	286.8	304.0	-3.1	3.59
(Accum Units)	5¼	491.6	491.6	521.1	-5.2	3.59
Income	5¼	150.7	152.9	162.2	-4.7	4.50
(Accum Units)	5¼	304.7	310.3	329.2	-9.5	4.40
International	5¼	107.0	107.0	113.4	+0.4	1.00
(Accum Units)	5¼	147.9	147.9	156.8	+0.7	1.00
Smaller Co's	5¼	95.83	97.29	103.5	-0.1	2.47
(Accum Units)	5¼	106.3	107.9	114.8	-0.2	2.47
Inv Portfolio	3	53.63	53.63	55.51	-0.42	3.08
(Accum Units)	3	56.23	56.23	58.20	-0.44	3.08
High Income Port	3	44.81	45.70	47.36	-0.44	4.75
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 071-480 7216						
Short Dated Gilt	1¼	56.12	56.12	56.93	-0.03	6.97
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
CCF Sel High Inc Eqty	5¼	46.92	47.69	50.74	-0.62	5.5
CCF Sel Intl Gwth	5¼	47.66	47.66	51.30	-0.02	1.46
CCF Sel Inv Tst	5¼	46.67	47.93	50.99	+0.24	2.01
CCF Sel UK Sm Co's	5¼	44.66	46.05	48.99	-0.12	1.02
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 081-740 7070						
UK General Tst	5¼	54.19	55.35	58.88	-0.21	2.96
Global Tst	5¼	46.89	47.41	50.44	+0.05	0.35
Recovery Tst	5¼	45.73	47.00	50.00	-0.03	1.92

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Gwth	5¼	101.10	101.35	108.61	-0.37	1.51
UK Growth	5¼	46.03	46.03	49.23	-0.40	3.16
High Income	5¼	54.78	54.78	58.59	-0.88	6.22
Japanese Gwth	5¼	155.17	155.38	166.19	+0.82	0.01
PEP Gwth & Inc	5¼	55.98	56.33	60.25	-0.16	2.42
Asian Smlr Mkts	5¼	49.72	49.72	53.18	-0.18	1.40
Phillips & Drew Unit Managers Ltd (1400)F						
14 Finsbury Square, London EC2A 1PD 071-628 6070						
Charities Fxd Int May 23	¼	90.30	90.30	90.86	......	10.7
Charities Intl Uts May 23	¼	99.12	99.12	99.58	......	2.6
UK Exempt May 24	¼	102.4	102.4	104.5	+0.5	5.6
Charities Intl May 18	¼	122.3	122.3	124.1	...	2.6

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Principal Unit Trust Mngmt Ltd (1600)F						
16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700						
Principal Tst	5¼	94.49	95.79	101.91	[illegible]	1.50
Prolific Unit Tst Mngrs Ltd (1600)F						
222 Bishopsgate, London EC2 071-247 7544						
American Income	5	62.9	63.28	67.32	+0.79	4.00
Conv & Gilt	5	107.8	107.8xd	114.6	-0.2	9.36
Euro Gwth & Inc	5	63.43	64.25	68.5	-0.06	1.08
Extra Income	5	130.5	132.3	140.8	-0.2	6.55
Far East	5	263.9	263.9	281.8	+0.5	0.01
High Income	5	83.47	83.47xd	88.79	-1.2	5.02
International	5	162.9	161.9	172.2	+0.5	1.16

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Schroder Unit Trusts Ltd—Contd.						
Scimitar Unit Tst Mngrs Ltd (1200)F						

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
36 Old Jewry, London EC2R 8BS						
Public Dlg: 071-606 8484 Broker Dlg: 071-606 0033						
General Enquiries: 071-382 3800						
Retail Funds						
American	5¼	156.2	156.9xd	166.9	+1.10	1.68
(Accum Units)	5¼	166.2	167.0	177.6	+1.10	1.69
Australian	5¼	112.9	115.2	122.5	......	2.12
(Accum Units) ‡	5¼	127.3	130.0	138.2	......	2.12
Enterprise	5¼	128.9	130.7	139.0	-0.70	4.06
(Accum Units)	5	135.1	137.1	145.9	-0.70	4.06
European Gwth	5¼	59.01	59.62	63.42	+0.10	1.65
(Accum Units)	5¼	59.01	59.62	63.42	+0.20	1.65
Euro Smllr Cos	5¼	58.40	59.15	62.92	-0.03	0.37
(Accum Units)	5¼	58.60	59.15	62.92	-0.03	0.37
Far Eastern Gwth	5¼	50.58	51.19	54.45	+0.27	0.00
(Accum Units)	5¼	50.58	51.19	54.45	+0.27	0.00
Fixed Interest	5¼	43.42	43.42xd	49.72	-0.13	10.54
(Accum Units)	5¼	44.39	44.72	46.78	-0.07	10.54
Gilt Income	5¼	84.63	84.63	89.18	-0.25	11.15
(Accum Units)	5¼	95.63	95.63	100.7	-0.30	11.15
Income	5¼	234.2	236.6	251.6	-0.50	5.99
(Accum Units)	5¼	603.0	609.3	648.1	-1.40	5.99
Japan Smllr Cos ‡	5¼	370.2	374.4	398.2	+1.70	0.00
(Accum Units) ‡	5¼	370.9	375.1	399.0	+1.70	0.00
Pacific Gwth ‡	5¼	51.51	52.39	55.73	+0.19	1.88
(Accum Units) ‡	5¼	51.76	52.64	56.00	+0.19	1.88
Smaller Co's	5¼	154.5	159.8	170.0	......	2.90
(Accum Units)	5¼	169.5	175.4	186.5	......	2.90
Tokyo ‡	5¼	84.82	85.58	91.04	+0.40	0.00
(Accum Units) ‡	5¼	85.67	86.45	91.96	+0.41	0.00
UK Equity	5¼	151.4	152.5	162.2	-1.00	3.41
(Accum Units)	5¼	253.9	255.9	272.2	-1.60	3.41
US Smllr Cos	5¼	51.52	52.56	55.91	+0.32	0.00
(Accum Units)	5¼	51.52	52.56	55.91	+0.32	0.00
Institutional Funds						
Charity ♥	5	764.1	769.0	818.0	......	4.24
European ♥	5	171.4	172.5xd	183.5	+0.60	1.09
(Accum Units) ♥	5	182.0	183.3xd	194.9	+0.70	1.09
Euro Smllr Cos ♥	5	26.22	26.42	28.10	+0.01	0.00
(Accum Units) ♥	5	26.22	26.42	28.10	+0.01	0.00
Global Equity Inc ♥	5	55.87	56.37xd	59.96	-0.02	3.67
(Accum Units) ♥	5	56.40	56.90	60.53	-0.02	3.67
Japan Smllr Cos ♥	5	26.49	26.72	28.42	+0.14	0.00
(Accum Units) ♥	5	26.49	26.72	28.42	+0.14	0.00
Mngd Balanced	5	116.4	117.0xd	124.4	......	2.69
(Accum Units)	5	118.8	119.4	127.0	......	2.69
Overseas Equity ♥	5	129.4	130.1	138.4	+0.50	1.20
O'seas Smllr Co's ♥	5	71.66	72.32	76.93	+0.24	0.69
(Accum Units) ♥	5	71.91	72.57	77.20	+0.24	0.69

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information page.

FT MANAGED FUNDS SERVICE

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Timberlake Trust Mngrs Ltd (0900)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
Portfolio	2	92.78	92.78	98.49	-2.84	2.07
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing – 12 Noon Historic						
TR American Gwth	5¼	48.88	48.88	52.13	+0.16	0
TR Eur Sp Sits Acc	5¼	45.90	45.90	48.80	-0.07	0
TR Eur Sp Sits Inc	5¼	45.01	45.01	47.85	-0.07	0
TR Far East Opps Inc	5¼	24.62	24.72	26.30	+0.47	–
TR Far East Opps Acc	5¼	24.62	24.72	26.30	+0.47	–
TR General Growth	5¼	75.18	75.18	79.97	-0.30	2.57
TR Global Tech	5¼	78.65	78.65xd	83.89	+0.84	0
TR Income Growth	5¼	86.10	86.10	91.59	-0.64	4.37
TR Income Monthly	5¼	51.61	51.61	54.90	-0.17	7.59
TR Japan Growth	7½	85.52	85.52	90.76	+0.40	0
TR Overseas Growth	5¼	68.35	68.35xd	72.85	+0.11	0
TR Smaller Cos	5¼	74.97	74.97	79.75	+0.39	2.41
TR Special Opps	5¼	84.36	84.36	89.74	+0.13	3.35
TR Mgd Eq Plan Acc	5¼	35.31	35.31	37.56	-0.19	2.64
TR Mgd Eq Plan Inc	5¼	33.12	33.12	35.23	-0.17	2.64
TR Wwide Sp Sit Acc	5¼	39.26	39.26	41.87	+0.12	0
TR Wwide Sp Sit Inc	5¼	39.22	39.22	41.83	+0.13	0
TR Pension Portfolio						
TR American Gwth ‡	6	29.17	29.56	31.33	-0.02	0
TR Eur Sp Sits ‡	6	36.47	36.83	39.04	-0.22	0
TR General Growth ‡	6	24.98	25.24	26.76	-0.37	0
TR Global Tech ‡	6	30.90	31.31	33.19	+0.29	0
TR Income Growth ‡	6	25.12	25.39	26.91	-0.43	0
TR Japan Growth ‡	6	26.76	26.98	28.60	+0.10	0
TR Mgd Equity ‡	6	27.06	27.35	28.99	-0.38	0
TR Overseas Growth ‡	6	29.27	29.65	31.43	-0.08	0
TR Smaller Cos ‡	6	17.69	17.88	18.95	+0.07	0
TR Special Ops ‡	6	17.35	17.52	18.57	+0.05	0
TR Stg Liquidity ‡	6	26.19	26.65	27.76	----	0
TR Wwide Sp Sits ‡	6	31.91	32.34	34.28	----	0
Trades Union Unit Tst Mngrs (1200)H						
NLA Tower, Addiscombe Road, Croydon 081-686 4355						

	Bid Price	Offer Price	+ or -	Yield Gross
Thornton Unit Managers Ltd				
Managed Exempt May 15	100.28	107.28xd	----	3.85
(Accum Units)	101.06	108.11xd	----	3.85
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1289	1303xd	-16	1.39
TR Exempt Nth Amer	991	1004xd	+22	3.23
TR Exempt Pac Basin	932	945xd	+11	0

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
Investment Mngt M & G Uw Mngt Ltd				
AA Friendly Sy May 11	–	165.4	----	–
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	299.1	314.9	–	–
Equity Ser. 1	129.9	136.8	-2.2	–
Prop. Acc. Ser 2	461.0	485.3	–	–
Equity Ser 2	150.7	158.7	-2.4	–
Selective Acc	346.2	364.5	-4.0	–
Prop. Ser. 4	363.8	383.0	–	–
Equity Ser. 4	154.3	162.5	-2.0	–
Man. Ser. 4	442.4	465.7	-3.4	–
Fixed Int. Ser. 4	214.4	225.8	-2.5	–
Indexed Inv. Ser. 4	145.2	152.9	-1.3	–
American Ser. 4	328.6	345.9	+2.3	–
Japan Ser 4	302.4	318.4	+0.7	–
European Ser 4	129.4	136.3	+0.6	–
High Inc. Ser. 4	459.8	484.0	-5.7	–
Money Ser. 4	249.9	262.1	----	–
Intl Ser. 4	114.9	121.0	----	–

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OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (REGULATED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

OFFSHORE INSURANCES

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IRELAND (SIB RECOGNISED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

Magnum Fund Mngmt (Bermuda) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Magnum Futures Fund				
Sterling Class	£4 74		...	-
US Dollar Class	$9 13		...	-
DM Class	DM20 25		...	-

Malacca Fund (Cayman) Limited

	Bid Price	Offer Price	+ or -	Yield Gross
NAV May 23	$17 28			-

Malaysia Capital Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NAV May 18	$10 08			-

Malaysia Growth Fund

	Bid Price	Offer Price	+ or -	Yield Gross
NAV May 18	$12.33			-

[illegible]

Warburg Inv Mngmt (Isle of Man) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mercury 90:10 Trust (Ge)sel				
Dollar Fd HOPUPs	[illegible]	10 1[illegible]		-
Dollar Fd OPUPs	[illegible]	10.93		-
Sterling Fd DOPUPs	[illegible]	10 22		-
Sterling Fd OPUPs	[illegible]	11 [illegible]		-
DM Fd DOPUPs	[illegible]	[illegible]		-
DM Fd OPUPs	[illegible]	10 [illegible]		-
Yen Fd DOPUPs	[illegible]	[illegible]		-
Yen Fd OPUPs	[illegible]	10 03		-

Wardley Investment Services Ltd

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

Wimbledon & South West Finance Co Ltd

114 Newgate St, London EC1 7AE			071-606 9485	
High Int Cheque Acc	14.50	11.31	15 73	Qtr

NOTES—Gross rate to those exempt from composite rate of tax Net actual rate after deduction of CRT Gr Equiv CAR Gross equivalent to basic rate taxpayers-compounded annual rate Int Cr frequency interest credited

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. ∂ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend

(**) Funds not SIB recognised. The regulatory authorities for these funds are, Guernsey: Financial Services Commission; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Holiday subdues markets

THE MARKETS were subdued yesterday as Ascension Day holidays in some of the leading European centres kept the major currencies confined to narrow ranges. The main features in a largely uneventful day were a slight strengthening of the D-Mark and the US dollar, while sterling was broadly stable.

The modest advance recorded by the D-Mark took place in Tokyo and, thereafter, it was steady. In the Far East, the West German currency drifted below the 90 yen level on selling by Japanese trust banks.

Talk that the Bundesbank had rung foreign exchange dealers for a quotation on the latest D-Mark/dollar rate threw the markets into reverse. The D-Mark then started to climb on fears that the Bundesbank was contemplating intervening, and the West German currency rose to a high of 91 yen.

Analysts believed it was unlikely that the Bundesbank had bought D-Marks for dollars, which was the talk in the market. But they said the West German central bank was concerned to keep monetary policy tight by maintaining a firm exchange rate.

The movements in Tokyo by the D-Mark at first kept London traders busy. But after an initial burst of activity, dealing turned quiet as the D-Mark settled into a tight range. It eventually closed in London at Y90.14, down 36 points on the day.

Aside from the D-Mark's fluctuations, currency trading was subdued and lacked direction until late in the London day, when the dollar moved higher.

A comment by Mr Sydney Jones, assistant secretary for economic policy at the US Treasury, that the dollar was "probably undervalued" prompted modest short-covering. The remark allowed the dollar to recover from losses caused earlier in the session by revised US first quarter gross national product statistics which were below expectations.

The dollar closed at DM1.6810, against DM1.6725 on Thursday. It finished at Y151.45 from Y151.20, at FFr5.6425 from FFr5.6300, and at SFr1.4210 from SFr1.4115. The dollar index, as calculated by the Bank of England, closed at 67.3, up 0.1 on the day.

Sterling eased against the D-Mark but held steady against most other currencies. The release of the latest UK industrial and manufacturing output figures indicated that the economy was continuing to grow, despite higher interest rates.

However, inflationary worries were offset by theexpectation that sterling could join the Exchange Rate Mechanism of the EMS sooner than expected, according to some analysts said.

At the London close, sterling was at DM2.8400 from DM2.8325 the previous day; at $1.6900 from $1.6935; unchanged at FFr9.5350; at SFr2.4025 from SFr2.3900; and unchanged at Y256.00. The Bank of England's sterling index was unchanged at 89.0.

EURO-CURRENCY INTEREST RATES

May 24	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 1/16-14 15/16	15⅛-15	15⅛-15	15¼-15⅛	15⅜-15¼	15 1/16-14 15/16
US Dollar	8⅜-8¼	8¼-8⅛	8¼-8⅛	8⅜-8¼	8½-8⅜	8 11/16-8 9/16
Can. Dollar	13⅝-13½	13⅝-13½	13⅝-13½	13⅝-13½	13½-13¼	13½-13¼
D. Guilder	8⅛-7⅞	8⅛-7⅞	8 1/16-7 15/16	8⅜-8¼	8½-8⅜	8⅝-8½
Sw. Franc	8⅞-8⅝	8 13/16-8 11/16	8 13/16-8 11/16	8 15/16-8 13/16	8 15/16-8 13/16	8⅞-8⅝
Deutschmark	8-7⅞	8-7⅞	8-7⅞	8¼-8⅛	8½-8⅜	8⅞-8⅝
Fr. Franc	9¾-9⅝	9¾-9⅝	9¾-9⅝	9 15/16-9 13/16	10-9⅞	10¼-10⅛
Italian Lira	13-11	12¾-11¼	12¼-11¾	12-11½	12-11½	12¾-12¼
Belgian Franc	10⅛-10	10 1/16-9 15/16	10 1/16-9 15/16	10 1/16-9 15/16	10 1/16-9 15/16	10 1/16-9 15/16
Yen	7 5/16-7 3/16	7 5/16-7 3/16	7⅜-7¼	7 7/16-7 5/16	7½-7⅜	7⅝-7½
D.Krone	10⅜-10¼	10 11/16-10 9/16	10⅝-10½	10 11/16-10 9/16	10 11/16-10 9/16	10 11/16-10 9/16
Asian $Sing	8 5/16-8 3/16	8¼-8⅛	8 5/16-8 3/16	8 7/16-8 5/16	8 7/16-8 5/16	8 11/16-8 9/16

Long term Eurodollars: two years 9⅛-9 per cent; three years 9¼-9⅛ per cent; four years 9⅜-9¼ per cent; five years 9½-9⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

May.24	Latest	Previous Close
£ Spot	1.6910-1.6920	1.6920-1.6930
1 month	0.97-0.96pm	0.97-0.96pm
3 months	2.72-2.71pm	2.82-2.80pm
12 months	9.20-9.13pm	9.04-8.97pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

May.24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6875-1.6960	1.6895-1.6905	0.97-0.95cpm	6.82	2.75-2.72pm	6.47
Canada	2.0005-2.0080	2.0045-2.0055	0.23-0.15cpm	1.57	0.63-0.51pm	1.30
Netherlands	3.17¾-3.19½	3.18½-3.19½	1¾-1⅝cpm	6.65	5⅜-5¼pm	6.42
[illegible]						

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.24-5.19cpm 12 month 9.20-9.10pm

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

May.24	£	$
[illegible]		
S. Af (Cm)	4.4690-4.4805	2.6430-2.6450
S. Af (Fn)	6.6390-6.7720	3.9215-4.0000
Taiwan	46.55-46.65	27.50-27.55
U.A.E.	6.2230-6.2305	3.6720-3.6730

*Selling rate

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										
C $	0.499	0.843	1.416	127.7	4.756	[illegible]				
B Fr.	1.717	2.901	4.876	439.5	16.37	[illegible]				

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100

FINANCIAL FUTURES AND OPTIONS

[illegible]

THREE MONTH EURODOLLAR

	Close	High	Low	Prev.
Jun	91.69	91.73	91.68	91.72
Sep	91.41	91.46	91.35	91.40
Dec	91.14	91.17	91.13	91.12
Mar	91.03	91.07	91.02	91.04
Jun	91.01			90.99
Sep	90.99			90.97
Dec	91.09			91.07
Mar	91.09			91.07

Estimated volume 3017 (16017)
Previous day's open int. 71802 (71322)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Jun	89.70	89.70	89.70	89.71
Sep	89.70	89.70	89.68	89.68
Dec	89.70			89.68
Mar	89.78			89.76

Estimated volume 80 (170)
Previous day's open int. 3602 (3585)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Jun	2305.0	2325.0	2290.0	2311.0
Sep	2351.0	2363.0	2341.0	2359.0
Dec	2397.0			2403.0

Estimated volume 7010 (9546)
Previous day's open int. 21346 (21841)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6900	1.6804	1.6627	1.6379	1.5985

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6826	1.6876	1.6804	1.6858
Sep	1.6550	1.6610	1.6530	1.6596
Dec	1.6320	1.6320	1.6320	1.6358

THREE-MONTH PIBOR FUTURES (MATIF)

	Open	Close	Change	High	Low	Yield	Open int.
June	90.16	90.16	+0.01	90.17	90.15	9.84	11,476
September	90.11	90.13	+0.03	90.14	90.09	9.87	8,863
December	90.05	90.07	+0.03	90.07	90.05	9.93	2,508
March	-	-	-	-	-	9.95	174

Estimated volume 7,813 Total Open Interest 23,021

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
May	2142.0	2123.0	-6.0	2143.0	2118.5	3,374
June	2146.0	2127.5	-9.5	2148.0	2125.0	1,793
July	2146.0	2132.0	-5.0	2146.0	2129.0	147
September	-	-	-	-	-	10

Estimated volume 5,761 Total Open Interest 5,324

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	Unibank Plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15½
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk N. East	15	Mount Banking	15		
Co-operative Bank	*16	Nat Bk of Kuwait	15		

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MONEY MARKETS

Firmer tone to rates

UK MONEY market rates had a firmer tone yesterday as dealers continued to worry about inflationary pressures.

The release of a batch of statistics which showed British industry growing at a faster-than-expected pace reinforced concerns that the high level of UK interest rates have yet to cool the economy.

The key three-month interbank rate was quoted at 15 1/16-15⅛ per cent, up 1/16 from the previous close, while 12-month money rose ⅛ point to 15-15⅛ per cent. On the London International Financial Futures Exchange, September short sterling opened seven points easier at 85.32, and then spent the rest of the day trading in a narrow range, before closing at that level.

UK clearing bank base lending rate 15 per cent from October 5

Credit was again in short supply on the money market with a shortage of £1.45bn initially forecast by the Bank of England; this was revised to £1.4bn later in the morning. Total help of £1.39n was provided.

Early help of £168m was provided, with £41m of Treasury bills purchased in band 1 at 14⅞ per cent, £27m were bought in band 2 at 14¾ per cent, while £100m was bought for resale to the market on June 4 at 14 15/16 per cent. Later in the morning an additional £91m was purchased. This was made up of £40m band 1 bank bills at 14⅞ per cent and £51m band 2 bank bills at 14¾ per cent.

During the afternoon, the Bank bought £991m of bills, including in band 1 at 14⅞ per cent, £136m of Treasury bills and £520m bank bills. In band 2 at 14¾ per cent it bought £100m Treasury bills and £235m bank bills. In addition, late assistance of around £140m was provided.

Factors draining liquidity included bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills accounting for £1.031bn, Exchequer transactions £215m, a rise in the note circulation £145m, and bankers balances below target £60m.

The European money markets were quiet due the closure of West German and Swiss markets for the Ascension Day holiday.

In New York, the Federal Reserve again refrained from open market operations. Some analysts had thought there was a chance the Fed could add funds.

Federal Funds were trading at an unchanged level of 8¼ per cent at the time the Fed usually operates.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

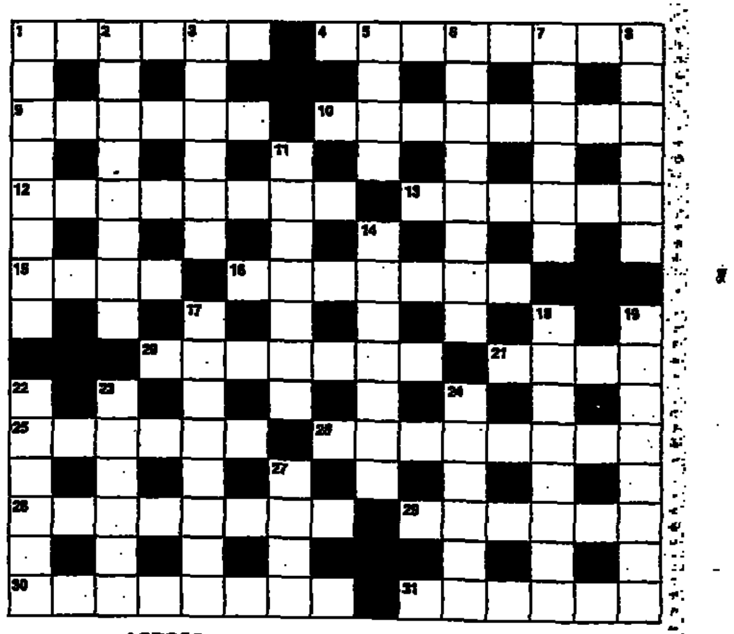
May 24	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	16	15 3/16	15⅛	15⅛	15⅛	15⅛
Interbank Bid	14⅞	14 13/16	14 15/16	15	15	14⅞
Sterling CDs	-	-	15 1/16	15 1/16	15 1/16	15
Local Authority Deps.	15 1/16	14 15/16	14 15/16	14⅞	14⅞	14⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15½	14 15/16	14 13/16	14⅝	-	-
Company Deposits	-	-	14 13/16	15	14 15/16	14 15/16
Finance House Deposits	-	-	14 15/16	15	15	14 15/16
Treasury Bills (Buy)	-	-	14 13/16	14 13/16	-	-
Bank Bills (Buy)	-	-	14 13/16	14 13/16	14 11/16	-
Fine Trade Bills (Buy)	-	-	15 3/16	15 3/16	14 15/16	-
Dollar CDs	-	-	8.20	8.28	8.42	8.62
SDR Linked Dep. Offer	-	-	8⅞	9 1/16	9 3/16	9⅜
SDR Linked Dep. Bid	-	-	8¾	8 15/16	9 1/16	9¼
ECU Linked Dep. Offer	-	-	10 1/16	10 3/16	10 3/16	10 3/16
ECU Linked Dep. Bid	-	-	9 15/16	10 1/16	10 1/16	10 1/16

Treasury Bills (sell): one-month 14⅝ per cent; three months 14 13/16 per cent; Bank Bills (sell): one-month 14 23/32 per cent; three months 14 13/16 per cent; Treasury Bills: Average tender rate of discount 14.4513 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1990. Agreed rates for period May 26 to June 25, 1990, Scheme I: 15.94 p.c., Schemes II & III: 16.49 p.c. Reference rate for period March 31, 1990 to April 30, 1990, Scheme IV&V: 15.247 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from May 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

No.7,247 Set by VIXEN



ACROSS

1 Sailors may be seen around before noon (6)
4 Depression could well result in its falling (8)
9 Tin-ore working in the East (6)
10 Tip-top boat carrying cash (8)
12 The badly made-up star can't perform (8)
13 Undertaking transport provision (6)
15 Want heartless nurse and newspaperman to get together (4)
16 Less than half will find indulgence (7)
20 Down-to-earth person respecting a heel (7)
21 A way to absorb business tax (4)
25 A woman writing of some historical cottage (6)
26 Claims running water will cause rejoicing (8)
28 Delay that's to ensure elegant underwear (8)
29 Unbroken? It can't possibly be! (6)
30 Sauce called for at formal dinners (8)
31 Conclude with a feature on charm (6)

DOWN

1 Make a song about the Left playing fair (8)
2 Date main conversion – it's vital (8)
3 The guy requiring a little modern establishment (6)
5 This country found Queen Elizabeth the First overbearing (4)
6 Presented, though plastered (8)
7 A minute log (6)
8 Choose to make allusion to parking initially (6)
11 Not weighing very heavily on the conscience? (7)
14 Come to grips with the opposition (7)
17 Uneasy, having no support (8)
18 Spot-on – article about a man of the cloth (8)
19 Totters off after a witness (8)
22 Lay indisposed – all in (6)
23 The candlestick is no longer fine at Oxbridge (6)
24 Read about a woman's gun (6)
27 Right out of line (4)

Solution to Puzzle No.7,246

WORLD STOCK MARKETS

AUSTRIA

May 23	Sch	+ or −
Austrian Airlines	4,750	−50
Creditanstalt	5,400	+100
Erste Allgemeine	21,000	+1,000
Jungbunzlauer	14,550	+100
Laenderbank	1,220	.....
OeMV	20,300	+150
Perlmooser	1,820	+30
Radex	1,160	+25
Reininghaus	2,400	+100
Steyr-Daimler	230	+5
Veitscher Mag	1,130	+17
Verbund	585	+27
Wienerberger	6,120	+220

BELGIUM/LUXEMBOURG

May 23	Frs.	+ or −
Arbed	5,110	.....
B.B.L.	2,990	+10
Bank Intl. a Lux	15,400	.....
Banque Gen. Du Lux	14,700	.....
Banque Nat Belg	32,975	+675
Barco	2,340	−15
Bekaert B	15,325	−175
Ciment CBR	9,380	+230
Cobepa	5,650	+30
Do. AFV 1	5,640	+30
Cockerill	195	.....
Colruyt	23,500	−575
Delhaize	5,900	+90
EBES	3,860	−50
Do. AFV 1	3,810	+50
Fabrique Nat	326	+16
GIB Group	1,366	−14
Do. AFV	1,382	+10
GBL (Brux)	3,985	−10
Do. AFV 1	3,990	+35
Gechem	802	−4
Do. AFV	766	+6
Generale Bank	4,905	+55
Do. AFV 1	4,860	.....
Gevaert	8,780	+360
Intercom	3,225	+5
Do. AFV 1	3,100	.....
Kredietbank	3,995	+95
Do. AFV	4,195	+45
Pan Holdings	14,900	+200
Petrofina	11,550	+250

FRANCE (continued)

May 23	Frs.	+ or −
Beghin-Say	935	+36
Do. Certs	600	+5
Bongrain	3,430	+58
Bouygues	670	+11
BSN	1,476	+36
CMB Packaging	199.8	−4
Carrefour	3,745	+20
Casino	153.9	+1
Cetelem	640	+2
Chargeurs	1,084	−11
Ciments Fr.	1,741	+6
Club Mediterranee	657	.....
Coflexip	379.7	+10.7
Copifi	386	−4
CGE	632	.....
Coparex	560	+25
CCF	248	+2.5
Cred Foncier Fr	1,405	+5
Cred Lyons (CI)	880	+5
Credit National	1,569	−1
Damart	3,440	+140
Docks de France	4,020	+20
Dollfus-Mieg	598	+3
Dumez S.A.	652	−8
Eaux (Cie Gen)	2,725	+40
Ecco	620	+21
Electrafin're	1,038	+12
Elf-Aquitaine	730	+4
Do. Certs	521	+8
Epeda-Bertrand	1,220	−100
Essilor	2,410	−35
Eternit (Fie.)	2,387	+2
Euralfrance	2,070	−60
Eurocom	2,295	+26
Euro Disneyland	108.2	+0.7
Euromarche	4,020	−6
Exor	1,900	+25
Fimextel	199.2	−0.8
Fonciere Lyonn	1,006	.....
Fromageries	2,396	+14
GTM-Entrepose	1,600	+30
Gaumont (Soc N)	1,150	+5
Gen Geophysique	1,315	+30
Gen. Occidentale	785	+11
Hachette	416.5	−21.5
Havas	690 xa	+6
Imetal	369	+14
Immeubles de Fr	1,581	+1
Immobanque	814	+13

GERMANY (continued)

May 23	Dm.	+ or −
BMW	586	+11.5
Bayer-Verein	372	+1
Beiersdorf	823	+8
Berliner Kraft	156	+6
BHF-Bank	448	+8
Bilfinger & Berg	855	+25
Brown Boveri	718	+18
Colonia Versich	1,095	+20
Do. Pref.	777	−8
Commerzbank	279.5	+3
Continental AG	283	+1
DLW	800	+14
Daimler-Benz	820	+4
Deckel (Fr.)	218.2	−0.8
Degussa	475	.....
Deutsche Babcock	214	−9
Deutsche Bank	776.5	+9.3
Didier-Werke	268	.....
Douglas Hldgs	828	+15
Dragerwerk	341	.....
Dresdner Bank	430.5	+3.5
Fag Kugelfischer	465	+5
Gerresheimer	329	+11
Goldschmidt (TH)	622	+12
Hamburg Elekt	209	+1
Hapag Lloyd	500	.....
Heidelberger Zem	1,340	−1
Henkel Pref.	617	−11
Herlitz	425	+12
Hochtief	1,320	+10
Hoechst	283.7	−0.8
Hoesch	341	+0.5
Holzmann (P)	1,420	+35
Horten	287	+8
Industriekredit	267	−6
Industrie Werke	410	−1
Kali & Salz	255.5	+0.5
Karstadt	684	+9.2
Kaufhof	654	+4
KHD	272.8	−0.2
Kloeckner Werke	250.9	−1
Kraft Werke Rh	308	.....
Lahmeyer	1,055	+15
Leifheit	705	−5
Linde	1,010	+27
Lufthansa	172	+1
Do. N/V Pref.	160	+4.5
MAN	462	+8
Do. Pref.	368	+1

CANADA

TORONTO

2pm prices May 25

Quotations in cents unless marked $.

INDICES

NEW YORK

DOW JONES	May 23	May 22	May 21	May 18	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2856.26	2852.23	2844.68	2819.91	2856.26 (23/5)	2543.24 (30/1)	2856.26 (23/5/90)	41.22 (2/7/32)
Home Bonds	90.09	90.16	89.95	90.04	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1166.61	1169.63	1180.83	1177.28	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.03	213.09	214.22	214.73	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2869.07 (2877.13) Low 2824.95 (2828.51)

STANDARD AND POOR'S	May 23	May 22	May 21	May 18	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	359.29	358.43	358.00	354.64	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	419.32	418.20	417.23	412.75	419.32 (23/5)	371.92 (30/1)	419.32 (23/5/90)	3.62 (21/6/32)
Financial	29.67	29.48	29.50	29.24	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	195.85	195.58	195.28	193.55	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	359.65	359.85	359.36	356.32	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	456.87	453.89	452.89	448.31	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	May 18	May 11	May 4	year ago (approx.)
Dow Industrial Div. Yield	3.99	3.93	4.05	3.35

	May 16	May 9	May 2	year ago (approx.)
S & P Industrial div. yield	2.98	3.07	3.13	3.17
S & P Indl. P/E ratio	15.49	15.20	14.85	12.82

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Nova Corp	3,493,600	7⅞	+ ⅛
Texas Util	2,975,300	36½	- ⅛
Alliance	2,139,200	16	... ..
Unisys Corp	2,099,600	14⅛	- ⅛
Philip Morris	1,942,200	45⅛	+ ⅛
West Elec	1,929,200	34⅛	- 1⅛
Georgia Gulf	1,879,300	8½	+ ⅜
Citicorp	1,814,400	22⅞	- ⅜
IBM	1,709,100	118⅞	+ 1
Deere	1,664,300	73	- 2⅞

TRADING ACTIVITY

† Volume Millions	May 23	May 22	May 21
New York	172.330	203.350	166.280
Amex	15.574	14.284	11.442
NASDAQ	(u)	190.164	169.571
Issues Traded	2,009	1,990	2,007
Rises	753	814	980
Falls	739	695	531
Unchanged	517	481	496
New Highs	71	117	108
New Lows	26	32	33

CANADA

TORONTO	May 23	May 22	May 21	May 18	1990 HIGH	1990 LOW
Metals & Minerals	3106.30	3104.30	(c)	3053.40	3453.05 (4/1)	2850.80 (23/4)
Composite	3519.50	3540.60	(c)	3521.50	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1810.10	1827.76	(c)	1816.38	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 24	May 23	May 22	May 21	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1471.6	1473.7	1465.4	1458.0	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	725.6	730.0	725.8	719.9	860.9 (5/1)	715.3 (1/5)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	569.94	558.82	560.18	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	(c)	6156.68	6134.92	6133.70	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	(c)	374.65	374.14	369.38	380.47 (28/3)	352.96 (25/4)
FINLAND						
Unitas General (1975)	586.73	575.4	577.9	577.2	677.3 (23/1)	562.2 (11/5)
FRANCE						
CAC General (31/12/82)	(c)	562.95	554.94	552.58	562.95 (23/5)	482.94 (26/2)
CAC 40 (31/12/87)	(c)	2123.34	2115.00	2092.21	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	(c)	776.99	764.62	771.70	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	(c)	2258.1	2216.4	2235.7	2424.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	(c)	1831.80	1813.26	1811.18	1968.56 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3048.01	3028.31	2970.87	2930.83	3067.67 (19/4)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1643.80	1640.13	1642.75	1640.93	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	736.73	731.72	738.33	730.60	736.73 (24/5)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32311.75	32176.51	31938.30	31765.05	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2395.90	2394.95	2390.59	2370.82	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	3893.60	3887.44	3872.57	3868.93	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	586.73	583.63	581.39	570.63	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	(c)	265.8	265.6	261.9	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	(c)	198.3	198.2	195.5	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	(c)	855.58	857.21	848.60	857.21 (22/5)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	874.89	878.36	908.00	932.18	1160.70 (21/3)	874.89 (24/5)
SINGAPORE						
SES All-Singapore (2/4/75)	438.40	438.69	440.84	437.71	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	(c)	1629.0♦	1678.0	1678.0	2230.0 (16/1)	1629.0 (23/5)
JSE Industrial (28/9/78)	(c)	2924.0♦	2924.0	2921.0	3211.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	785.79	787.91	785.93	770.28	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	282.48	282.87	283.25	282.51	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	(c)	1248.30	1239.70	1232.90	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(c)	793.2	787.7	785.6	793.2 (23/5)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	6587.77	7014.40	6720.32	6992.89	12495.34 (10/2)	6587.77 (24/5)
THAILAND						
Bangkok SET (30/4/75)	971.33	974.69	978.05	957.96	978.05 (22/5)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	521.2	519.0	514.4	571.0 (4/1)	468.3 (2/4)

**Saturday May 19: Taiwan Weighted Price: (c) Korea Comp Ex. 765.16

♦ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday May 24 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi H I	55.9m	1,080	+60	IHI	19.8m	1,210	+70
Mitsui Eng&Shp	28.8m	985	+27	Kawasaki H I	18.8m	980	+50
NKK	24.3m	677	+31	Sanyo Elec	12.4m	840	-16
Nippon Steel	18.8m	627	+9	Sasebo H I	9.0m	1,130	+50
Hitachi Zosen	19.8m	900	+32	Kawasaki Steel	9.0m	642	+6

3pm prices May.25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20¾	AAR	.48	2.2	13	785	21⅝	21½	21⅝	
9⅝	8	ACM n	1.01	12.		135	8⅝	8½	8⅝	+ ⅛
11⅜	9⅛	ACMIn	1.26	13.		555	9⅝	9⅜	9⅜	+ ⅛
9⅞	7¼	ACM M	n1.01	13.		178	7⅞	7¾	7¾	
12⅛	10	ACMMM				215	10⅝	10½	10½	– ⅛
11½	9⅛	ACM Sc	1.26	13.		646	9⅝	9⅝	9⅝	
8⅞	8⅛	ACMSp	1.01	12.		446	8⅞	8¾	8⅞	
22⅝	14⅜	AL Lab	.16	.7	20	565	22	21⅜	22	
4⅛	3	AMCA	.20e	6.4	9	62	3⅛	3	3⅛	+ ⅛
6⅛	2⅛	AM Int			8	1187	2⅜	2¼	2¼	
23⅛	10¼	AM In pf	2	18.		136	11⅜	11⅛	11⅛	
107¼	52½	AMR			12	3817	64⅛	63⅝	63⅞	– ⅝
27	25	ANR pf	2.67	11.		1	25¼	25¼	25¼	
4⅜	3	ARX				12	3⅝	3½	3⅛	
72¾	39	ASA	3a	6.0		999	49⅞	49⅜	49⅝	+ ½
73¼	55¼	AbtLab	1.68	2.3	19	5317	u74½	72⅞	73⅞	+ ⅞
36⅞	27⅜	AbtLb wi				36	u37½	36⅛	37¼	+ ⅝
16⅞	11⅛	Abitibi g	.50			14	12⅜	12⅜	12⅜	
13	8⅛	AcmeC	.40	4.5	10	68	9⅛	8⅞	8⅞	– ⅛
9⅜	7⅝	AcmeE	.32	3.5	11	72	9⅛	8⅞	9⅛	+ ⅛
41⅞	28⅞	Acuson			24	627	41⅞	41⅛	41⅛	– ⅛
16½	13¼	AdaEx	2.06e	13.		368	16⅛	15⅞	16	– ¼
15⅜	9	Adobe				52	11⅞	11½	11½	– ½
20¼	17¼	Adob pf	1.84	9.7		26	19	19	19	
21⅝	20⅛	Adob pf	2.40	11		1	21⅜	21⅜	21¼	+ ⅛
11¼	6⅞	AMD			23	6417	11⅛	10⅜	11	– ⅛
35	28⅛	AMD pf	3	9.4		78	32	32	32	– ⅛
10⅛	4⅛	Advest	.16	3.6	56	x113	4½	4⅜	4½	+ ⅛
82½	45¼	AetnLf	2.76	5.2	9	1346	53	52⅝	52⅝	
14	9⅜	AffPb	.24	2.4		344	10	9⅞	10	+ ⅛
25	16⅛	Ahmans	.88	4.4	9	664	20⅜	20⅛	20⅛	– ⅛
3⅛	1⅞	Aileen				60	2⅛	2⅛	2⅛	+ ⅛
55⅛	40	AirPrd	1.32	2.4	14	1309	55⅛	54⅞	55	– ⅛
48⅝	28	AirbFrt	.60	1.4	14	1348	42½	41½	41⅞	– 1⅛
[illegible]										

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
55½	46	Xerox	3	6.1	8	2008	49⅛	48	49½	+ ½
49	44½	Xerox pf4.13		8.5		4	48¼	47¾	48¼	+ ¼
36⅝	21¼	XTRA	.48a	2.0		29	24	23¾	24	
4¾	2	Zapata				490	2⅛	2	2⅛	+ ⅛
12⅛	6⅞	Zemex				3	7	7	7	
21¼	7⅞	ZenithE				2387	9⅝	9¼	9¼	− ⅛
21½	13½	ZenNtl	.84	5.6	9	124	15¼	15	15⅛	− ⅛
9⅞	5⅝	Zenix	.90	15.		113	6	5⅞	5⅞	− ⅛
18½	12⅞	Zero s	.40	2.8	14	86	14⅝	14¼	14¼	− ¼
47⅝	30¼	Zurnin	.76	1.6	30	471	47⅝	46½	46⅝	− ⅝
12⅝	10⅝	Zweig	1.21e	10.		386	11⅞	11⅝	11⅝	− ⅛
10	8⅞	ZweigTl	.96	10.		1647	9¼	9	9¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices May.25

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices May.25

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Dow falls on weak bonds and early profit-taking

Wall Street

AFTER an early wave of profit-taking, expected after three sessions in which the Dow Jones Industrial Average closed at record highs, the equity market bounced back before turning lower again in sympathy with bonds, *writes Janet Bush in New York.*

At 2pm, the Dow was 6.17 lower at 2,850.09 on moderate volume of 101m shares. On Wednesday, the Dow came back from a loss of around 15 to close 4.03 higher at 2,856.26.

Blue chips tended to do better than the broad market with most indices marginally lower, even when the Dow was in positive territory. The Standard & Poor's 500 index was quoted 0.44 point lower at 358.85.

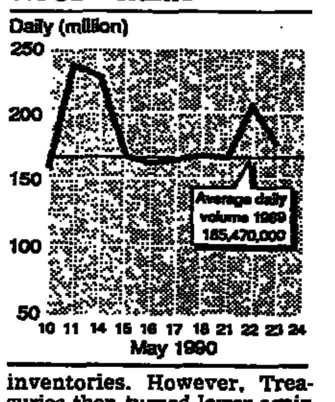
The market keeps hitting new records despite the fact that a large number of investors are sceptical about current levels. The latest survey of market forecasters compiled by Investors Intelligence shows that 45.5 per cent of them were bearish on stocks last week and 40.9 per cent were bullish.

Clearly, continued buying has been concentrated in quality, blue chip issues. What appears to be happening is that portfolio managers are raising their stock allocations simply in response to the fact that the market keeps hitting successive record highs. There does not appear to be much activity by individual investors.

Equities derived some support yesterday from Treasury bonds which moved a little higher after a surprisingly sharp downward revision in first quarter GNP growth from 2.1 per cent to 1.3 per cent.

Overall, the impact on both markets of the GNP release was muted because the revision was almost entirely due to a downward adjustment to

NYSE volume



inventories. However, Treasuries then turned lower again and the Dow went back into negative territory.

Tobacco stocks attracted attention yesterday, weakened by news that Mr Louis Sullivan, Health and Human Services secretary, is seeking state bans on cigarette vending machines as part of a campaign against minors smoking.

Philip Morris fell $1⅜ to $43⅞. American Brands dropped $1½ to $67⅝ and UST lost $1¼ to $28¾.

Among technology issues, IBM fell $¼ to $118½. Compaq Computer $⅝ to $122½, Digital Equipment $1¼ to $92 and, on the over-the-counter market, Apple Computer $¼ to $41¾. Among blue chips, Exxon fell $⅝ to $47⅛, General Motors $⅝ to $48⅝ and Merck $⅝ to $81⅝, but F.W. Woolworth edged $⅛ higher to $65.

US Shoe gained $1⅜ to $24½ after it reported a 239 per cent increase in its net income for the fiscal quarter ended on May 5, compared with a year earlier. Circus Enterprises rose $¾ to $62 on the company's prediction of net income in its fiscal first quarter of as much as 70 cents a share. National Media Corp fell $1⅜ to $10½ on speculation that the company's earnings in fiscal 1990 ended in March will be disappointing. The company said that the rumours were without merit.

Canada

TORONTO stocks slipped slightly at midsession after New York shares fell on profit-taking. The composite index lost 7.6 to 3,511.8 on volume of 10.29m shares. Declines led advances 223 to 179.

Gold shares were the one bright spot after COMEX gold futures rose about US$2.50 an ounce. American Barrick rose C$⅛ to C$22⅛ and Lac Minerals climbed C$⅛ to C$12¼. Toronto-Dominion rose C$⅛ to C$17⅛ after releasing its second quarter earnings, down two cents to 48 cents. Hudson's Bay was unchanged after reporting a first quarter loss of 19 cents versus 36 cents.

A little cold water on German optimism

The cost of German unity has hit the stock market, writes Katharine Campbell

THE GERMAN stock market, in recent weeks, has been suffering a mild dose of the nerves which had already sent domestic bond prices spiralling downwards in February.

The immense costs of reunification of the two Germanies were apparent back then, at least to sections of the bond investment community. So why has it taken until now for equity market participants to splash a little cold water on their own, seemingly boundless optimism?

The DAX index of 30 blue chip stocks has fallen around 10 per cent from its high of 1969 at the end of March. It was always apparent that the equity market's defiance of gravity would eventually be tempered, by real interest rates hovering around 6 per cent and all that they portend.

What has happened is that the process of rerating justified by the long-term prospects for the pan-German economy through the 1990's is for the moment complete.

In the current consolidation phase investors are focusing coolly on coming months, rather than allowing themselves to be suffused by warm feelings about the decade as a whole.

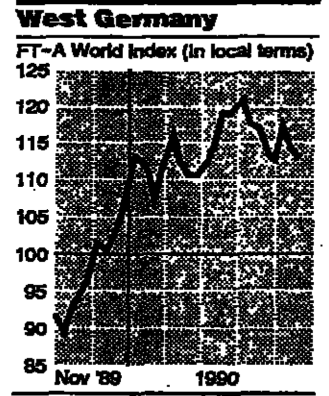
One of the most important factors putting a stop to the market's progress has, for once, no connection with the East German theme.

A number of analysts have recently downgraded profits forecasts for some of the weightiest components of the DAX index – including Daimler, Siemens, Mannesmann, and Lufthansa, as well as the three chemical giants.

One of a number, Mr Guy Rigden, European equity strategist at UBS Phillips & Drew in London, explains that in the last few days he has downgraded his forecast of 1990 profits growth for German companies from 10 per cent to 6 per cent.

This access of caution is being displayed on a number of fronts. To begin with, the cyclical downturn in the chemicals sector has far-reaching effects,

West Germany



for at least seven companies found in the DAX index have important chemical or related operations, quite aside from BASF, Bayer and Hoechst. While earnings in 1989 had proved surprisingly resilient, first quarter numbers have generally come in below expectations.

The German company reporting season has brought other mildly gloomy outriders. Daimler, the country's largest industrial conglomerate, painted a picture of stagnant earnings at its recent yearly press conference; it is still struggling to integrate diverse acquisitions.

At the same time, the strength of the D-Mark continues to erode the competitiveness of German industry abroad. As just one example last week, Lufthansa, announcing a DM200m programme to cut expenditure and boost revenue, blamed sharply lower first quarter profits partly on adverse foreign exchange movements.

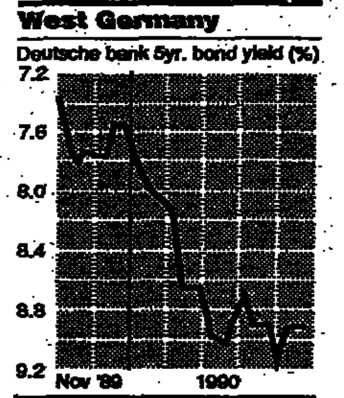
The other part of the story is, of course, East Germany. In general terms, a political cloud hangs over the market as recent Länder elections demonstrate how, as the CDU steers the country towards reunification, it could well be the Social Democrats who prove beneficiaries of any upsets along the way.

Meanwhile, the bond market's worries in February stemmed from concerns, less among domestic than among international investors, that the costs of reunifaction would be vast and unwieldy. But at that stage they were almost entirely suppositions lacking the benefits of hard fact.

Now a good deal more is known; the East German national and local elections are past; the date and terms of monetary union have been set, and the government's expanded borrowing programme in the shape of the German unity fund outlined. The trouble is that some of the facts are not quite what the equity market would have wished; and previous uncertainties have been more than adequately replaced with further unknown quantities.

That the generous terms of monetary union were purely a political dictate is clear, taking the edge off economists' fond dream of years of disinflationary growth. Some of the powerful economic impetus that would have been gained from combining a high cost area suffering pronounced labour shortages with a people-rich country has been sacrificed, because the people, with a

West Germany



one-to-one conversion rate for East German wages, no longer come so cheap.

Moreover, the recent announcement of the DM115bn German unity fund, essentially an off-budget way of financing some of the extra burdens of reunification proposed by a government which has pledged not to raise taxes, may not in itself be an unmanageable sum for the capital markets to digest, but it serves as a potent reminder of just what an open-ended commitment the Federal Republic has on its hands.

Also, legal questions, particularly in the field of property rights, continue to dog the prospects of West German companies, whose ambitions in the East are still of the status of letters of intent. Again, cartel considerations, and the extent to which an urgent need for capital will stay the hand of the monopoly authorities, remain hedged around with uncertainty.

Moreover, on a comparative basis, many strategists say that it is the prospect of interest rate cuts that is attracting cash to specific markets at the moment, enhancing places such as the UK, Italy and Switzerland. Views may differ as to where long bond yields go from here, almost everyone agrees that short-term rates in Germany are set to increase, between 50 and 150 basis points.

But, in sum, if major brokerage houses, such as Morgan Stanley, have reduced weightings in the German market significantly, it does not imply they no longer believe the arguments about a fundamental rerating as the result of secular change.

"We are still very excited about Germany" says Mr Madhav Dhar, global equity strategist at Morgan Stanley in New York. "We just think that Germany got ahead of itself". In the last three months, for its non-US international portfolios, the firm has made a two-stage reduction in its disposition, from four times overweight to one in line with the market.

ASIA PACIFIC

Firm gains as sound results come in

Tokyo

GOOD news outweighed the bad in the continuing announcements of company results and share prices closed with firm gains in moderately active trading, *writes Michiyo Nakamoto in Tokyo.*

Investors kept up a lively interest in a broad range of issues with strong earnings but they were equally sensitive to the negative news, making for a mixed mood on the market yesterday.

The Nikkei average rose slowly only to meet resistance in midday trading. After fluctuating between a high of 32,328.92 and a low of 32,069.50 the Nikkei closed up 135.24 at 32,311.75.

Losers outnumbered gainers by 506 to 426 and 189 issues were unchanged. Turnover was somewhat lower at 600m shares, down from 650m on Wednesday. The Topix index of all listed stocks was up only 0.95 at 2,395.90 and in London, the ISE/Nikkei index eased 0.79 to 1,791.68.

The resilience of the yen helped support market sentiment yesterday but investors were more interested in individual results and in which sectors or issues would come out on top.

High technology electricals, for example, were depreseed by lower-than-expected results from Kokusai Electric, a company which makes electronic parts and communication equipment. This cooled interest in other high technology electricals, which were expected to see very good earnings results overall.

Kokusai Electric took a battering and lost Y250 to Y4,880. Sony, which has been expected to report strong results and has been rumoured to be planning a scrip issue, gained Y50 to Y8,750. Investors were wary of buying Sony before the company released its results after the close, but Sanyo Electric, recently popular, suffered profit-taking and lost Y16 to Y940.

Heavy industrials, by contrast, were in strong demand. Investors still expect their earnings will be good following a surge in orders for ships.

The yen's strength and stable interest rates also contributed to their popularity.

Among heavy industry issues, interest shifted to Sasebo Heavy Industries, favoured for its volatile price movements by individuals and corporate investors looking for quick profits. Sasebo advanced Y50 to Y1,130.

Ishikawajima Harima Heavy Industries was up Y70 to Y1,210 and Mitsubishi Heavy Industries rose Y60 to Y1,060. Mitsui Engineering and Shipbuilding advanced Y27 to Y985.

Elsewhere, Toyo Shutter posted a strong rise of Y90 to Y3,400 on expectations that its pretax profits would rise 11 per cent in the year to March, 1991. The company has seen strong demand for its heavy shutters thanks to a buoyant construction sector. There was also talk that the company might offer a scrip issue.

A news report which said Toyota would export its US-made cars to Eastern Europe triggered interest in Marubeni, a company experienced in trading with the region and with the Soviet Union.

Although Toyota itself closed down Y20 at Y2,430, Marubeni gained a handsome Y42 to Y858.

In Osaka interest in heavy industrials was countered by profit-taking in high-tech electricals and the OSE average closed with a loss of 16.55 at 34,802.87.

Volume also fell to 59.9m shares from 61.7m on Wednesday. Sunstar, which makes toothpaste and cosmetics, gained Y70 to Y1,490 on expectations that it would report good earnings.

Roundup

THE RELATIVE calm in Japanese markets was noticeably absent from some of the other markets in the region yesterday, particularly Hong Kong and Taiwan.

HONG KONG extended its rally to a fifth consecutive session in active trading, helped by continued strong interest from overseas.

The Hang Seng index climbed 19.70, after Wednesday's 57.44 surge, to 3048.01. Since Friday, it has put on 130, or 4.2 per cent.

Turnover stayed heavy at HK$1.58bn, though well down from Wednesday's HK$1.92bn. Utilities posted sharp gains, banking and commercial and industrial issues advanced moderately, and property stocks were little changed.

TAIWAN, where the weighted index peaked at 12,495.34 on February 10, fell another 426.63 or 6.08 per cent to to 6,587.77, a fifteen-month low, after Tuesday's 294.08 recovery.

Volume fell to 970m shares valued at NT$61.1bn from 1.19bn shares and NT$76.5bn billion NT dlrs.

A broker said that the market would stage a recovery only when the government took steps to reduce the current 0.6 per cent stock transaction tax and to instruct banks to support the market.

MANILA moved lower in choppy trading on continued political uncertainty and terrorist attacks.

The composite index eased 3.47 to 874.89 and declines led advances 18 to 16, while 23 issues were unchanged.

Turnover fell to 542.7m shares worth 79.8m pesos from 791m shares or 81.1m pesos. First Philippine Holdings, which holds a substantial stake in the Manila Electric Co (Meralco), rose 1.75 pesos to 15.75 pesos on news that the Government was going ahead with its much-delayed plans to privatise the company.

NEW ZEALAND recovered from early lows to close mostly steady. The Barclays index ended 1.82 lower at 1,737.04. Turnover eased to 7.6m shares or NZ$13.8m from 11.3m shares or NZ$16.1m. Bank of New Zealand was steady at 79 cents on turnover of 600,000 shares before announcing better-than-expected profits after the market closed.

Capital Markets, which owns 30 per cent of BNZ, fell 2 cents to 94 cents. Brierley Investments was the heaviest traded stock, closing unchanged at NZ$1.68 on turnover of 1.2m shares, while market leader Fletcher Challenge closed 2 cents lower at NZ$4.26 on volume of 1.1m shares.

AUSTRALIA saw its gold stocks take a battering following the plunge in the bullion price. The All Ordinaries index eased 2.3 to 1,471.6 while the gold marker lost 20.3 to 1,401.7. Turnover rose to 86m valued at A$188m from 67m shares or A$147m.

Among gold stocks, Placer Pacific shed 7 cents to A$2.83 while ACM Gold fell 2 cents to 90 cents and Emperor Mines dropped 9 cents to 65 cents. Western Mining Corp, which mines gold and other minerals, fell 10 cents to A$4.37 in fairly heavy turnover of 3.2m shares.

Bank stocks fell back after Wednesday's gains. ANZ slipped 4 cents to A$4.86 but was off the day's low of A$4.76 while Westpac Banking Corp finished 2 cents lower at A$4.86.

EUROPE

Milan hits 1990 high in lively trade

MOST bourses were closed for the Ascension Day holiday, with the exception of Milan, Madrid, Lisbon and Helsinki.

MILAN hit a new high for the year, in lively trading on continued foreign demand. The Comit index rose 5.01 to 736.73.

Mr Carlo de Benedetti's holding company, CIR, rose L120 to L5,735 as the Italian press insisted, in spite of company denials, that the financier had sold his stake in Société Générale de Belgique. Fiat was left behind, remaining unchanged at L10,500 while the insurer Generali rose L195 to L42,895.

Another insurance company, Latina, rose L65 to L15,525 after reporting a drop in 1989 net income to L27.8bn from L29.5bn, mainly because of its exposure to motor premiums, and an unchanged dividend. County NatWest said the results were in line with expectations and added that the stock looked attractive relative to its net asset value.

LISBON continued on this week's lacklustre path, the BTA index falling 18 to 3,059. It had recovered from a low of around 2,828 in March after falling from a high of 3,705 early last November.

MADRID drifted back on a lack of fresh factors, with banks bearing the brunt. The general index lost 0.39 to 282.48.

Among banks, BBV fell Pta25 to Pta3,185, Hispano lost Pta15 to Pta2,845 and Banesto dropped Pta20 to Pta3,890. But there was selective buying of electricity stocks, with Endesa rising Pta20 to Pta2,365 and Iberduero adding Pta6 to Pta647.

HELSINKI firmed in quiet trade. The Unitas all-share index rose 0.7 to 576.1 in volume of FM45.7m. The most traded shares were Kansallis-Osake-Pankki's free series which rose FM1 to FM52.

SOUTH AFRICA was also closed for a holiday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

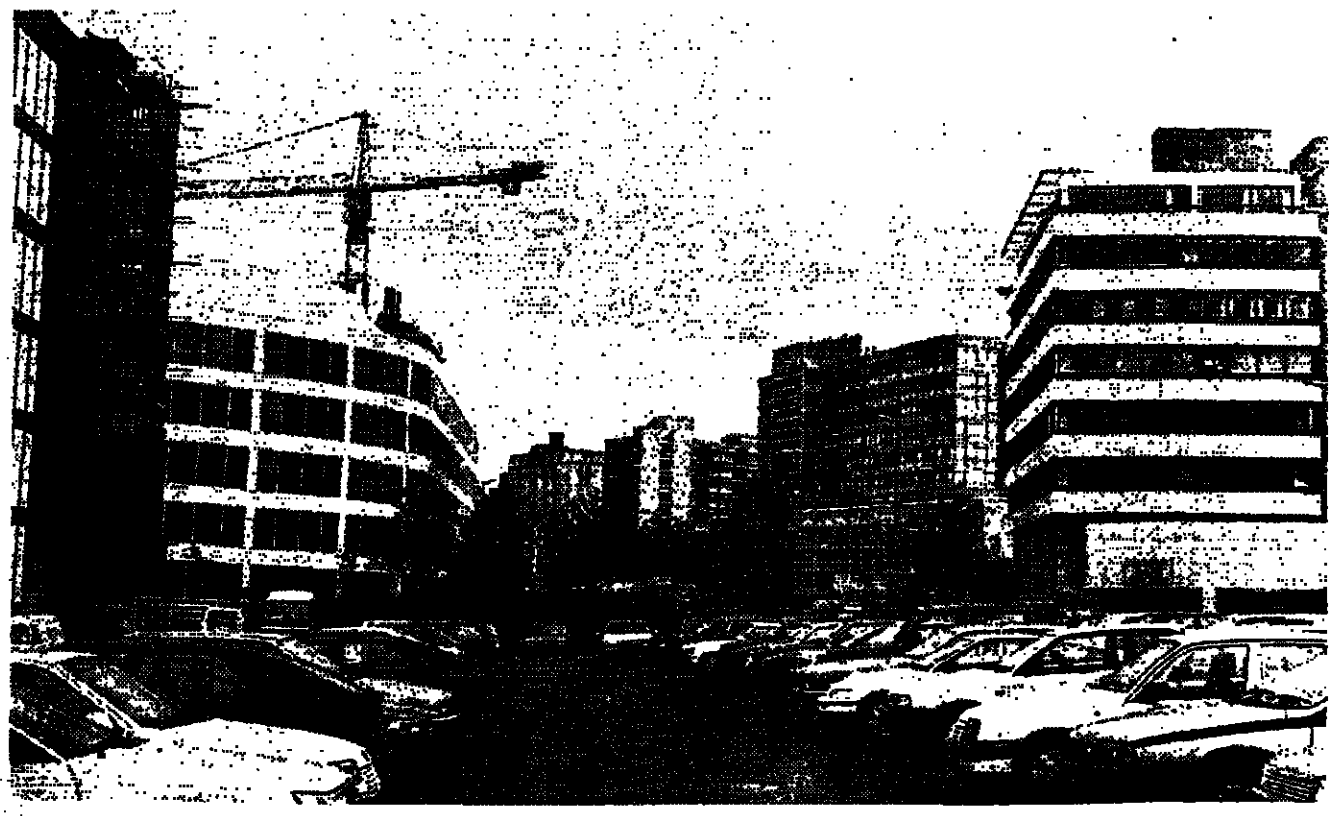
NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 23 1990						TUESDAY MAY 22 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (81)	132.62	+0.4	116.10	115.24	+0.6	6.03	132.07	115.76	114.59	158.31	125.85	134.54
Austria (19)	239.96	+1.9	210 07	207.93	+1.8	1.30	235.52	206.43	204.35	285.83	193.15	115.01
Belgium (61)	148.90	+0.5	130.35	126.50	+0.5	4.56	148.12	129.83	125.84	160.02	132.11	126 33
Canada (119)	136.04	+0.5	119.10	116.58	−0.3	3.46	135.36	118.65	116.94	153.61	130.37	136.45
Denmark (33)	256.92	−0.1	224.93	222.50	+0.0	1.29	257.13	225.38	222.51	260.82	236.69	168.96
Finland (26)	139.67	+0.5	122.27	114.80	+0.2	2.39	138.94	121.78	114.52	152.29	129.99	141.31
France (125)	167.00	+0.3	146.20	147.48	+0.5	2.79	166.52	145.95	146.80	188.85	141.69	113.33
West Germany (93)	129.95	+1.3	113.77	112.99	+1.5	1.98	128.28	112.44	111.31	137.71	122.05	80.54
Hong Kong (48)	125.83	+2.0	110.16	125.69	+2.0	4.95	123.37	108.13	123.24	126.90	112.24	127.52
Ireland (17)	181.18	−0.6	158.62	159.16	−0.4	2.75	182.21	159.70	159.81	198.57	172.72	138.38
Italy (96)	105.93	−0.5	92.74	97.13	−0.3	2.45	106.43	93.29	97.41	106.43	91.85	74.97
Japan (454)	153.32	+0.3	134.22	146.54	+0.1	0.57	152.79	133.92	146.36	197.28	124.40	177.72
Malaysia (35)	233.30	+1.2	204 24	242.65	+1.1	2.22	230.48	202.01	240.11	245 32	204.15	178.84
Mexico (13)	516.59	+2.5	452.25	1596.74	+2.2	0.32	504.10	441.84	1562.26	516.59	324.53	219.58
Netherland (43)	141.24	−0.2	123.65	121.19	+0.0	4.85	141.49	124.02	121.15	145.68	130.43	112.24
New Zealand (17)	62.84	+0.3	55.01	58.12	+0.2	7.56	62.63	54.90	58.01	75.36	59.57	67.66
Norway (23)	243.72	+0.0	213.36	213.28	+0.1	1.49	243.74	213.64	213.05	245.90	202.34	178.50
Singapore (25)	206.72	−0.2	180.97	176.47	−0.3	1.86	207.14	181.56	176.98	207.14	179.70	156.88
South Africa (60)	188.73	−1.1	165.22	164.36	−1.3	3.62	190.77	167.21	166.47	251.39	173.80	130.21
Spain (42)	160.11	−0.4	140.17	126.21	−0.4	4.21	160.78	140.92	126.68	165.19	132.64	147.37
Sweden (35)	204.04	+0.9	178.63	183.50	+1.0	2.20	202.14	177.18	181.65	206.95	173.89	156.63
Switzerland (66)	101.81	+1.1	89.13	89.09	+0.6	2.32	100.73	88.29	88.58	102.05	88.75	67.81
United Kingdom (305)	156.82	−0.7	137.29	137.29	−0.8	4.85	157.92	138.42	138.42	184.31	139.87	138.63
USA (537)	145.26	+0.3	127.16	145.26	+0.3	3.33	144.85	126.96	144.85	145.40	130.61	130.10
Europe (984)	145.79	+0.0	127.63	126.64	+0.0	3.56	145.74	127.74	126.58	148.66	135.57	112.85
Nordic (117)	201.58	+0.4	176.47	170.79	+0.5	1.76	200.78	175.98	170.00	201.89	185.01	148.91
Pacific Basin (660)	151.54	+0.4	132.67	144.42	+0.2	0.87	150.96	132.32	144.17	192.75	124.63	173.87
Euro – Pacific (1644)	149.60	+0.2	130.97	137.69	+0.1	1.94	149.24	130.81	137.52	174.18	130.35	149.40
North America (656)	144.60	+0.3	126.59	143.35	+0.2	3.34	144.18	126.37	143.00	145.78	131.02	130.39
Europe Ex. UK (679)	137.38	+0.5	120.27	119.76	+0.6	2.78	136.71	119.82	119.06	139.50	124.61	96.38
Pacific Ex. Japan (206)	129.62	+0.9	113.48	117.09	+0.9	5.19	128.49	112.62	116.01	139.32	122.53	127.57
World Ex. US (1836)	149.74	+0.2	131.09	137.62	+0.1	2.00	149.38	130.93	137.49	173.77	131.30	148.80
World Ex. UK (2068)	146.07	+0.4	127.87	140.34	+0.3	2.20	145.55	127.57	139.96	162.00	130.80	141.37
World Ex. So. Af. (2313)	146.75	+0.3	128.48	139.83	+0.2	2.45	146.37	128.29	139.60	161.84	131.95	141.19
World Ex. Japan (1919)	145.20	+0.2	127.11	136.85	+0.2	3.49	144.90	127.01	136.60	145.52	134.82	123.76
The World Index (2373)	147.01	+0.3	128.70	140.01	+0.2	2.46	146.64	128.52	139.78	162.05	132.25	141.12

Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES SURVEY

The former railway town of Swindon has been transformed in the last 30 years into a dynamic business centre. The spread of development ranges from electronics and manufacturing industries to distribution and financial services, as **Stewart Dalby** explains here.



IN THIS SURVEY

Editorial production: Michael Wiltshire. Pictures by Lydia van der Meer.

Pictured left: new office developments in central Swindon, in contrast to the Railway Museum, which highlights an industry upon which the town once depended.

SWINDON

Plenty to boast about

HEAVEN knows it would be easy to knock Swindon. The town has had a bad press since one of its most famous alumni and film star, the late Diana Dors, developed the habit of describing it as a place you only wanted to get away from.

But to damn Swindon because it is not Venice or Las Vegas or even Bath, Bristol or Oxford, rather misses the point.

What is claimed for Swindon is that over the space of 30 years it has been transformed from a sleepy provincial town, over-dependent on one industry – the railways – into a dynamic, business centre which on certain criteria is one of the most successful in the south-west.

Its superb communications – it is almost on the M4 motorway which runs east-west, close to the M5 going north-south, near to Heathrow airport, and has easy access to London by train (55 minutes) – have been vital ingredients in its dramatic growth.

But also important is the fact that Swindon has remained easy to get out of – chief executives can live in splendid houses in Gloucestershire, for example, while lesser mortals live in the beautiful Wiltshire villages which surround the town.

Swindon is also a functional, working town. This has meant that the new town has become one great office block. If you walk around it at 6pm you will not find much company and may have the feeling you are breaking a curfew.

Swindon was changed from an agricultural market town (vestiges of this role are still evident in Old Town up on the hill) when the great 19th century engineer, Isambard Kingdom Brunel, chose Swindon as one of the country's first railway towns.

It was often called "the Crewe of the south." Not only was it a major rail junction, it was also home to an extensive engineering works. In its heyday, the Great Western Railway (before it was nationalised after the Second World War), employed 14,000 people.

The Swindon population figure in the late 1950s was around 70,000. When the last British Rail Engineering Ltd (Brel) workshops were closed in 1986-87, throwing some 2,000 workers on to the job market, the population was 168,000. It is now over 170,000 and projected to grow to 200,000 by the turn of the century.

The good communications alone might have ensured that companies were interested in relocating to Swindon, but the expansion has also been due to the fact that the corporations and councils which have been Labour party-dominated for most of the past 30 years, realised early on that something had to be done about the town's dependence on the railways. In the late 1950s, the then Swindon Corporation started to buy cheap agricultural land.

Development strategy

The corporation's successors have remained major landowners. Thamesdown Borough Council still owns the land on which the city centre's Brunel shopping complex is built and it collects rents of £2m a year.

The council has never been able to offer financial incentives to incoming companies but it has had plenty of space and has been able to ensure that development has taken place in an orderly fashion.

The land has remained comparatively cheap, and the railway workshops ensured there was a supply of skilled workers. Not surprisingly, Swindon has remained an engineering centre to some extent. Honda has started to manufacture engines at its 300-acre airfield site once owned by Vickers. It employs 700 and is looking to employ a further 1,300 when it starts making cars in a couple of years time.

But Swindon has developed in three other important areas: electronics, particularly in the information technology field, distribution and warehousing, and financial services.

In electronics, Intel's European distribution centre for microprocessors and silicon chips is based in Swindon. Intel has been in the town since 1979 and employs 400 people. Galileo, the computerised airline reservations system, owned by 10 airlines – nine European and one American – has been in the town for two years and employs 700 people. There is also Motorola and Datatrak, among others.

In distribution, the best-known company is probably W.H. Smith,the high street retailer, while Coca Cola is thought to be looking at a 120-acre site, close to the new Honda car plant, for a possible bottling factory.

In financial services, Allied Dunbar has its national headquarters in Swindon and employs 2,700 people in six buildings, while Nationwide Anglia has one of its two main administrative centres in the town.

This spread is significant, because it has helped to ensure ordered development. The financial services groups are concentrated in the new town office blocks. The electronics and other manufacturing concerns are dotted in 26 or so industrial and business parks close to the town, while the larger concerns - such as Honda – and the distribution companies tend to be close to the M4.

In housing, too, the council has been able to ensure planned growth. The latest manifestation of this is the so-called Northern Development where 10,000 houses are being built by the private sector over the next few years which should cater for a population increase of 30,000. In the Northern Development, the Cranfield Institute of Technology is building a science park.

Balanced growth is important. The town has avoided the problems of congestion and skill shortages that have developed in its main neighbours – Reading to the east, and Bristol to the west. Swindon property is still relatively cheap – office rents are around £15 per sq ft, compared with up to £20 in Bristol and Reading.

Staff recruitment

Big companies such as Nationwide Anglia and Allied Dunbar have not experienced difficulty in finding staff and Allied has been taking on staff at a rate of 500 a year. It does admit, however, that for the first time it is looking at staggered working hours for women. Honda is sanguine it will find the 1,300 workers it needs.

There is still plenty of land. Burmah Castrol, one of the biggest employers, has a 60-acre site it wants to develop to the west of the town. Now that BMW has decided not to expand into Swindon there is a 92-acre site also to the west of the town on offer. To the south there are hundreds of acres which have barely been touched. However, unemployment is down to 3 per cent with all the former railway workers fully absorbed.

Swindon in the past year has begun to experience traffic jams and parking problems although nothing like on the scale of Bristol. It is the threat of Reading-type congestion and skills shortages which has lead the Borough Council to try and put the brakes on development and consolidate the infrastructure and amenities of Swindon.

Mr Jim D'Avila, the deputy leader of the council and Labour Party candidate for the next general election, says: "We are only shadow-boxing at the moment, but there is a conflict looming with the developers. We feel we must call a halt to speculative development and consolidate the social infrastructure."

It was concern about congestion and possibly safety which lead the council to oppose the £30m BMW development. The site is close to the western exit of the M4 motorway, an area which is already heavily built up. After an long delay, the Department of the Environment over-rode the council's rejection, on appeal. But by the time the green light was given, BMW had finally decided to concentrate operations in Munich – perhaps responding to upheavals in eastern Europe.

For this reason, BMW's decision is probably not indicative of any dwindling interest in Swindon, since plenty of companies still appear to be showing interest. But as Mr Tony Hussey, the leader of the council, says: "With the northern scheme and Tarmac's project on the old railway works, there is currently enough development to take us well into the 1990s without any more going on. We must concentrate on improving the amenities for the people who live in Swindon.

The Tarmac project he refers to is a planned development of 142 acres of old railway to include offices and residential property, plus possibly some heritage and leisure facilities centred on some listed railway buildings.

However, one important amenity which is "on hold" is the expansion of the Brunel Shopping Centre in the heart of the town. Everyone agrees the 1960s complex badly needs upgrading, since less people are visiting Swindon to shop at weekends. A smaller £20m scheme is nevertheless proceeding close by the Brunel Centre.

However, the major refurbishment is in abeyance because the Norwich Union, who were to undertake the £60m project, and the Council could not agree terms.

Councillor Hussey insists a developer *will* be found. The next few couple of years should see whose vision of the town – the council's or the developers – will prevail.

Alan Cane highlights developments in the high technology sector

An emphasis on servicing rather than manufacturing

NOBODY signs the visitors' book in the reception area of the Galileo Centre, based in Swindon's Windmill Hill business park. Instead, visitors to the nerve centre of one of the largest computerised airline reservation and information systems tap their name and affiliation into a lecturn-like computer terminal.

It is a suitably futuristic introduction to a technology-based organisation set up to defend the interests of a consortium of European airlines against both US and European competitors.

It is also somewhat symbolic of the way Swindon, with the enthusiastic support of the local authorities, is developing as a high technology centre, with the emphasis on service rather than manufacture.

There has been electronics manufacturing in the town, however, for more than 30 years. Plessey Semiconductors, for example, which with international sales of about $200m reckons to be the leading European supplier of application specific integrated circuits (Asics) has been in Swindon since 1957 and now has its corporate headquarters there.

Taken over last year by GEC/Siemens but now owned wholly by GEC, it manufactures bipolar microchips, the fastest semiconductor technology, in its Swindon factory. The company and the town are now waiting to see what its future will be under its new parent.

Marconi, a GEC subsidiary, is closing its manufacturing activities in the town with the loss of 280 jobs, a move said to be unconnected with the Plessey takeover. Marconi made hybrid semiconductors in Swindon. It is understood the closure is connected with moves the company is making to restructure its components operations.

The US semiconductor manufacturer, National Semiconductor, has a sales and distribution centre in Swindon, but Intel, designer and manufacturer of the world's most popular microprocessors, has gone further. With three out of four phases of a magnificent landscaped headquarters completed, it is clearly putting down deep roots in the area.

Positive attitude

Mr Keith Chapple, managing director of Intel (UK) says the decision to relocate to Swindon from Oxford in 1978 was made easier by the local authorities' positive attitude – "it is something we have not regretted," he says. While Intel does not manufacture microchips in Swindon, it carries out a range of activities there that are crucial to its European operations. It is the warehouse and distribution centre for the whole of *Europe* as well as the test and quality assurance centre. The investment in computerised test equipment, for example, is in excess of $10m, including a $2m state-of-the-art "Trillium" chip-testing machine capable of analysing the behaviour of Intel's latest and fastest microprocessors.

Customers who want microchips built to their own requirements are catered for by Intel's Applications Specific Circuit Group. Designs created in Swindon are sent to the US for manufacture.

Swindon Silicon Systems (SSS), housed in an disused schoolhouse on the west side of the town, cannot match Intel for size – it had a turnover last year of about £2m compared with Intel's $3.1bn – but after 12 profitable years reckons its design skills are equal to the best. It specialises in what are called mixed mode microchips – chips which combine digital circuitry of the kind found in computers and analogue circuitry used, say, in radio equipment. It has a niche market at the high performance end of the mixed mode spectrum selling to, for example, Rolls Royce, STC, British Telecom and British Aerospace in the UK and Siemens and Serge Dassault abroad.

Why is it based in Swindon? The answer lies in the legacy of Plessey Semiconductors. Founded in 1978 by Mr Alan Richardson and three colleagues, all former Plessey engineers, it designs and supplies chips to customers' exact specifications. Manufacturing is carried out by "silicon foundries" however, organisations specialising in turning silicon into microchips.

British Telecom is Swindon's third largest employer with some 2000 staff in the town running the organisation's group procurement services. No materials come into or leave Swindon apart from those needed locally but the administration for the greater bulk of the £3bn worth of goods and services British Telecom buys each year is handled in Swindon. Everything, in fact, from satellites and cable-laying ships to screwdrivers. It is currently moving to new premises geared to today's technical requirements – adequate ducting for computer cabling and son on. Mr Alan MacGregor, the group's community relations manager, says the company is taking particular interest in schemes to improve the quality of life in Swindon. Despite British Telecom's size in the town, "we have maintained a pretty high level of invisibility so far," he says.

Motorola of the US is another of the world's leading semiconductor but its activities in Swindon centre around cellular radio, the mobile telephone business, rather than the microchips themselves.

European centre

Mr John Reynolds, managing director of the company's cellular infrastructure division, explains that Swindon has been chosen as the European centre for Motorola's manufacturing effort in the next generation of mobile telephone systems. The investment is of the order of £30m: "It is the biggest project the company has ever taken on in such a narrow time frame," Mr Reynolds says. The site, on the Blagrove Industrial Estate. It will also become the design centre for Europe for cellular base stations, the heart of the new generation of digital mobile telephone systems.

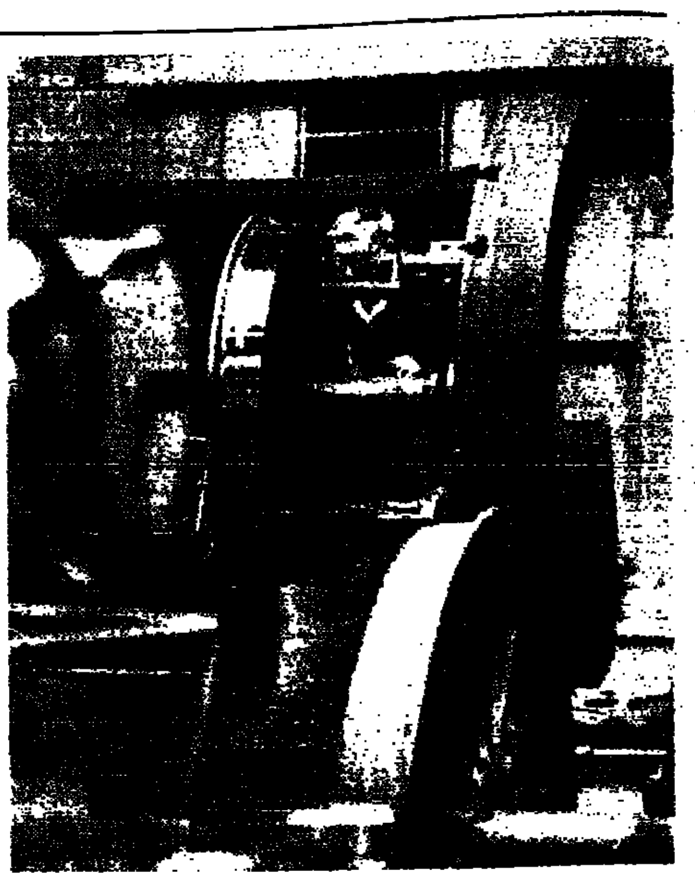
Motorola surveyed a number of sites before settling on Swindon as "the place for tomorrow" with its easy access to the universities of Bath, Bristol, Reading and Southampton. About 280 people are already employed and the number should rise to more than 500 when the manufacturing facilities are completed next year.

Galileo remains Swindon's most unusual high technology newcomer. Set up by a consortium of European airlines including British Airways, Alitalia, KLM and Covia, a subsidiary of United Airlines, it is the largest non-governmental data centre in Europe.

Constructed in just under two years through powerful collaboration between Galileo and its principal contractor International Business Machines, the system went live in September last year.

The two dramatic buildings which house the administration and the computers are staffed by a cosmopolitan mix of data specialists and executives, principally British, US, Dutch and Italian nationals.

Swindon itself has some way to go to rival more picturesque technology centres. The high-powered technologists who work in Swindon tend, in general, to live in and commute from the plethora of pretty villages around the centre. One US managing director, however, established himself happily in the Old Town. "But then," a colleague said darkly, "he came from Pittsburg."



Railway workshop in the National Railway Museum

Manufacturing industry

Quest for more diversity

More than 150 national and international companies have moved to Swindon in the last 15 years, says JAMES KELLY

A GHOST from the north has haunted Swindon since the 1950s when the railwork's steam hooters, salvaged from Brunel's *SS Great Britain*, summoned 14,000 people to work every day.

There was the fear that dependence on one industry would lead to the day when the echo of the hooter would settle over a town condemned to long-term unemployment and decline.

Like the once-bustling mill towns of Yorkshire, Swindon appeared to be on a single-track towards total reliance on a 19th century industry which was rationalising rapidly and threatening to pull up historic roots.

The rail-yards' decline came to closure in 1987 and today dust covers the desks of the engineers who worked in its mammoth shops and foundaries; discarded tea cups and newspapers conjur up sad echoes of Consett, Chatham, and Crewe.

But the regeneration of the yards, under the umbrella of Tarmac Properties, and the diversification of the town's manufacturing base, particularly around the skilled engineering base, have saved the region from decline and unemployment.

While employment in engineering and metal goods has held fast at about 16 per cent between 1984 and 1987 employment within "other manufacturing" rose from 4,706 to 6,802.

More than 150 national and international organisations have moved to Swindon, including 20 US companies and 35 electronics companies in the last 15 years, funnelling down the M4 corridor.

Location in Swindon continues, attracted by low rents and rates and the engineering skills' base, as well as excellent communications. The 1990s threaten to place only two clouds in a clear sky: skills' shortages and growth.

Despite rapid expansion in housing, the working population has not kept pace with demand in an overheated economy – a situation which can only be partly blamed on the demographic timebomb which points to a 15 per cent decrease in 11 to 24-year-olds by 1996 and 44 per cent increase in the over-65s.

Triumph International is one of the companies which has decided to expand elsewhere with advanced negotiations to open a 12,000 sq foot production unit for its lingerie, swim and beach ware products in Cwmbran, South Wales, where it can secure an increased labour supply.

A Swindon-based company, Creche UK, is planning to open a town-based nursery in June as the forerunner to a national chain of pre-school nurseries on British business parks – one of the often quoted solutions to the skills' shortage problem. Providing facilities for "returners" is one way out of the skills cul-de-sac.

The local Thamesdown Borough Council is not alone in blaming local industry for under-training and fuelling the *skills shortage*. Both politicians and planners hope the 1990s will see an improvement in the quality of employment in the town and a better return for the public sector from private sector development.

Deputy Labour Leader Jim D'Avila sees the decision of companies like Bluebird Toys to expand further west as an indictment of the private sectors lack of foresight. His verdict is a blunt "good riddance" and the hope that the budgeoning motor car industry will provide real jobs.

He also asks the politically sensitive question for Swindon: "Should we grow unfettered?" – and reveals that a council survey will show that the local population, which was overwhelmingly in favour of growth in the 1950s, now questions if it this strategy should continue.

The expansion of Swindon to *the north west*, held up by a public inquiry but now to proceed, is seen by the council as an indication that the town's growth will not be circumscribed by strictures from Whitehall. Its fear is city-style growth without facilities and infrastructure to match.

Peter Stratford, executive director of the Swindon Chamber of Industry and Commerce, feels that the town's buoyancy is an indication if intrinsic strength and adds: "We are not interested in social engineering. We welcome any form of enterprise."

For the Chamber, growth – particularly with the fillip of 1992 – is certainly on the agenda and it has moved wholeheartedly into providing expert advice on exports – "the Chamber is one of the first in the country to set up a European Action Support Team, providing members with services, information, advice and support under one roof."

While the development of the railyards includes space for light industrial use, the prospects for further diversification beyond the motor industry and the high-tech sector are not spectacular: rather, there are greater hopes for internal growth in established industries.

Here there is a firm base; stretching from Gordon Russell the furniture makers, to Motorola (Communications) with mobile phones, through Courtaulds Films, to J Arkell & Sons, the brewers, to the shrink plastics of Raychem, to Union Carbide and Sauer Sundstrand's industrial hydraulic equipment.

The story of Emmerson Electric, particularly, puts flesh to the hope and, in passing, paints the history of modern Swindon. This year the company celebrates its quarter century - with 20 years in Swindon.

The company, which is now a wholly-owned subsidiary of Emmerson Electric of St Louis, in the US, began life on a trading estate at Wembley, north west London. Jeffery Wickins, now commercial manager, remembers that the decision to move was taken quiet "democratically" after a visit and presentation by council officials from Swindon.

In the early days, the company was a world market leader in semi-conductor rectifiers for the control of spinning machines for synthetic fibres with customers like *ICI* and Courtaulds. But spectacular growth has come from manufacturing Uninteruptible Power Supply units for the computer industry.

While they may no longer be world leaders, they have a much broader share of the market and a £50m per annum turnover – "we are ready for 1992," says Mr Wickins. "We are known worldwide as the company from Swindon."

For Jeffery Wickins, the growth of the company has coincided with the growth of a career, and the chance to live in the Wiltshire countryside. Both the lifestyle and the company, like Swindon's manufacturing sector, can be described as "healthy."

THOUSANDS of years ago, the ley lines and green lanes of southern England led inexorably towards Stonehenge: modern Swindon appears to weild a similar attraction from within its ring of concrete and tarmac.

That, perhaps, is a polite analogy – others might say that it's in the middle of nowhere. A beautiful nowhere, of stone villages, broad downland and wide horizons – but nowhere, nonetheless.

But Swindon is, without doubt, Britain's classic 'central place' – a spinning, not to say over-heating hub, commanding the spokes of a communications network which makes the town an ideal location for the distribution sector.

The accident of location is a benefit which will never desert the town, unlike that great misquote of recent history which named it "Europe's fastest growing town." But accident it is; and principally a railway accident.

The change of gradient at Wootton Bassett hill, the spur lines from north and south, and Swindon's equi-distant position between the great port of Bristol and London, all conspired to make sure the town was more than a blurred station name-plate seen from an Inter-City 125.

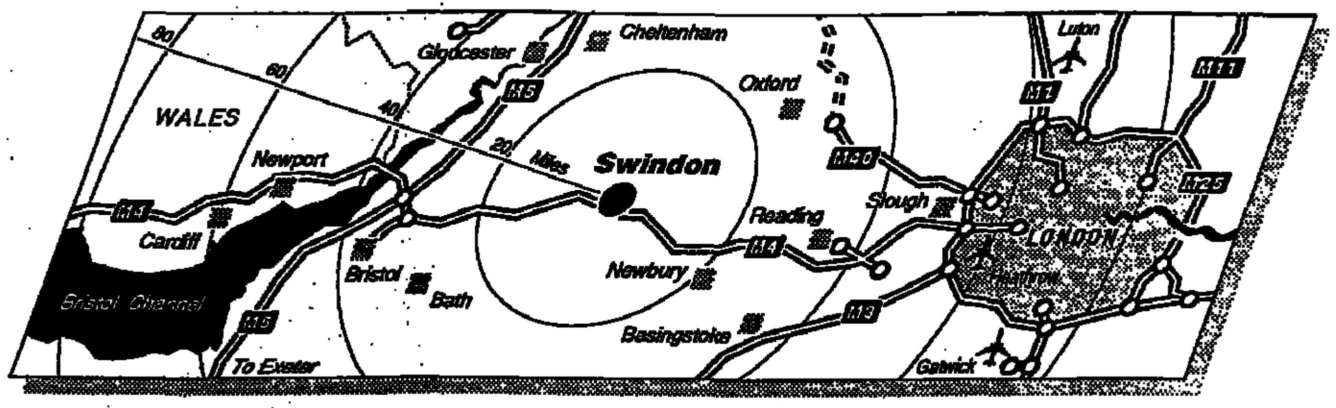
Brunel's great engineering works stamped "railway town" on Swindon's heart and made it the hub of the developing rail network in the region, eclipsing the brief hay day of the canal along whose route the railway was built.

Locational advantage enjoys exponential growth and once Swindon got ahead, it stayed ahead. The burghers of Old Swindon must have watched with trepidation as the New Town below grew around the railway village, eventually expanding across the north-south divide of Ermine Street – the old Roman road.

The coming of the motorways brought the M4 swinging south of the town en route to Bristol and South Wales and interchange connections link the network to the M5 and M6. (The only blemish on the picture is Swindon's burgeoning rush hour which snares the approaches in a jumble of jams on most weekdays.)

The growth of Heathrow placed Swindon within the European air-shuttle network, complemented by Bristol and Southamption and good connections to Gatwick; and perhaps one day the often-discussed Swindon Airport.

It is a fact – often quoted – that if you turn left at Heathrow you can be in Swindon centre before you would have arrived anywhere in central London.



Centre for national distribution services

Strategic location

Improvements to the transport system are in the pipeline; a proposed widening of the M4, extra Inter City 125 seating and a service time-tabled for every 15 minutes to Paddington, and new developments at Southampton and Bristol airports.

A traffic survey, sponsored by Thamesdown Borough Council and Wiltshire County Council, covering 80,000 households, is to address the town's problems within the gridle of motorways and dual-carriageways.

With communications like this it is hardly surprising that the town is the UK's main centre for direct mail; with the Royal Mail planning a new sorting office, four times the size of the present Fleming Way premises, it is planned to deal with over 7.5m items a week by the end of the decade.

The postal industry, born of the railways, is shifting rapidly to the Royal Mail's own fleet of lorries and contracted aircraft from Lulsgate Airport, Bristol.

That the distribution industry should seek out Swindon locations was inevitable; although both planners and politicians have sought to attract enterprises which provide more jobs and take up less space.

Jim D'Avila, Deputy Leader of Thamesdown and prospective Labour candidate for the general election, admits that during the crucial years after the closure of the rail works, discouraging inward investment was not an option.

***Jim D'Avila, Deputy Leader of Thamesdown and prospective* Labour candidate for the general election: Swindon has been determined to attract a wider mix of employment opportunities, he says.**

"We were obliged to seek jobs – and jobs in the service and distribution sector were better than no jobs at all. But that did not prevent us from being determined that we wanted a mix," he says.

At the borough's planning offices there is a determination to maximise the use of land in the town and to encourage growth and quality in what already exists: although this can be frustrated by the planning regulations which make it difficult to stipulate what exactly goes on behind the plate glass.

While simple distribution operations will continue to be attracted to the town, there is evidence that growth and diversification can spring from successful transport operations; both Reader's Digest, the international publishing and distribution group, and WH Smith, the high street retailer, provide cases in point.

Reader's Digest has just opened an £18m development at Pegasus House, Blagrove, which sits along side its long-established distribution operation.

The company, a wholly-owned subsidiary of the US parent founded in 1938, decided in 1987 to move its data processing fulfillment department to Swindon, dealing with customer and computer services.

About 200 jobs were transferred; a third of the employees joined the move, the proportion increasing up the salary scale. The move followed the 1979 switch of its lettershop activities to Swindon from Aylesbury, where it had run out of room for expansion.

The £21m move was designed, says the associate director of corporate development, Alwyn Price, to increase efficiency and customer-service, as well as cashing in on the long-term payback of cutting rents and rates from the previous premises in central London: the company now has 20,000 sq feet of office space to let at Old Bailey as a result.

Negotiations were undertaken with the Royal Mail prior to the move; and Reader's Digest Swindon receives 100,000 items by post a day. Skills shortages were considered, but the company was confident it was not crucial – "we are good employers, we had a good reputation in the town prior to this move, and there is a pool of skilled labour," says Mr Price.

WH Smith is another company which has expanded from a simple distribution base in the town. Having moved to Swindon in 1967, in 1985 it transferred the headquarters of its high street stores chain division.

Development has continued at the company's Greenbridge site with the break-pack operation for 500 retail outlets with 80,000 lines now controlled by the Dallas advanced computer software package for warehouse management.

Around 20,000 books are sorted from the warehouse every day. The 1,200 employees of WH Smith Retail now operate from a 40,000 sq feet office building affectionately known as the Peppermint Palace.

Swindon can boast many other well-known distributors, including Book Club Associaties, Renault UK, British Telecom, BOC Storeshield (for Marks and Spencer), F.W.Woolworth, and Ralton – now the largest bulk mail handling company in the UK, handling 10 per cent of all Britain's direct mail.

In 1984, 18,461 people were employed locally in the distribution, hotels, catering and repairs sector.

James Kelly

Financial and business services

Area wins its share of the big names

IT IS slightly misleading to think of Swindon of having become a regional financial services centre – many companies which have moved there have national operations. In the diaspora of insurance, banks and related companies that took place from London in the 1970s and 1980s, Swindon gained its share of big names.

Most notably, Allied Dunbar and Nationwide Anglia moved to the town and carry out national operations from there. For Allied Dunbar, Swindon is its the main headquarters. Some 2,700 of its 3,500 staff work there, although there is a national force of 5,000 sales agents.

Nationwide Anglia has one of its two national administrative bases in Swindon. The other is in Northampton. In Swindon, there are some 1,500 employees in two prominent buildings. Allied, which says it is the largest unit-linked life assurance company in the country, has now spread out into six buildings.

Between them, these two companies dominate the shiny, glistening new town area of Swindon, which – apart from *the shopping* centre, the Civic Centre, the Wyvern Theatre and some railway cottages of Bath stone – seems like one great office block.

The reasons Allied moved most of its operation out of London from 1971 onwards, are familiar to most big financial service companies. Improved telecommunications, particularly with computer-links and facsimile machines, meant the company did not have physically to be in London where office accommodation and staffing-costs were becoming increasingly expensive.

According to Mr Peter Stemp, personnel director at Allied, Swindon "certainly seemed a good idea at the time – it was within easy reach of London; and there was a building vacant, at a good price."

Another factor was that there were few other white collar employers of any size in the area at that time. Various insurance companies had already gone elsewhere and absorbed the available supply of labour. But Swindon was an industrial town, based on engineering, with the railways as the main employer. The fact that there were then hardly any service companies meant there were few local workers familiar with office-type employment. There was also a relatively young workforce.

Allied Dunbar has expanded rapidly in recent years. In 1980, it had 1,000 employees; it has been taking on staff at the rate of 500 a year. Mr Stemp says that, so far, it has had little trouble in finding suitable staff, and it has not been hindered by skill shortages which are hitting companies in the Thames Valley, for example.

"Last year we had 1,000 people apply for jobs," he says. "Mind you, we work hard at being a good employer."

More back-up business services have arrived to cater for the electronic and industrial concerns which have moved into the area in the past decade

Staff turnover is low – probably about 8 per cent, he adds. Allied, aware that staff shortages could soon to occur, has for the first time has introduced staggered working hours. Mr Stemp says he knows of other companies which have started to introduce what some call "twilight shifts" for women working only in the evenings.

Allied, he says, is "very happy" in Swindon. It is still possible to drive into work and have little trouble with parking, although this situation is changing.

Mr Brian Davis, the resources director at Nationwide Anglia, tells a similar story. Nationwide Anglia looked at various places apart from Northampton where half of the company was located. In 1974, there was land available at a good price, he says – "furthermore, communications are superb. The M4 is just outside the town. The M5 is not far away. If I need to go to London, I can arrive at the station at any time during the day and know there will be a train within a half an hour.

"Unlike some lines, this one usually runs on time, and you are in Paddington within an hour."

A significant attraction of the Swindon area is that people can live in very attractive villages outside the town and easily commute to work, he says. Staff turnover at the company is low, probably about five per cent.

Today, Swindon has not become a white collar town in the strictest sense, but it has become a regional centre in that the vital back-up business services, such as solicitors, accountants, property and employment agencies and other professional facilities have been established to cater for the many electronic, financial, and industrial concerns which have moved into the town in the past decade.

Companies can now have their advertising, marketing and public relations overseen by *any one of a dozen* well-established agencies in the area.

The opening of the Holiday Inn, a year ago, further added to Swindon's facilities for business visitors. The Holiday Inn is located on a business park close to the M4. Like the Post House Hotel outside the town, it is crowded with businessmen during the week.

Mr Jack Mollinson, the chairman of the management consultancy group, Rede Group which has been in Swindon for ten years, feels that Swindon has achieved critical mass as a business town, "but hasn't yet developed the associated problems. When we came here ten years ago, you couldn't move in London. Reading, even then, was over-populated, and something had gone quite mad in Bristol.

"I feel the planners have done an excellent job in Swindon. It is the central part of the south, but there is still room to live and breathe."

Stewart Dalby

SWINDON 4

There is speculation over Honda's eventual output target, says **John Griffiths**

New Japanese car plant begins to take shape

AS YET, it is only the beginnings of a steel skeleton. But its sheer size, even viewed from several miles away, comes as a shock to the unsuspecting motorist skirting Swindon to the north-east on the A419.

It is Honda's embryo car plant. It towers incongruously over a Wiltshire landscape of fields and farmland. And in just over two years' time it will begin churning out cars at a rate which – by 1994 – will have reached 100,000 cars a year.

At least, that is the official figure.

Many industry observers wonder how long it might be before Honda announces that the 100,000 is to become 200,000 a year – and even, perhaps by the late 1990s, that output is to go higher still.

Given that there is not yet even a roof structure, let alone a roof, such speculations might seem to be premature.

But Nissan's car plant at Sunderland, Tyne and Wear, began life as a 100,000 cars a year plant; it will soon move to 200,000 – and senior Nissan executives have let slip their intentions of moving the target to 400,000 a year, by the late 1990s.

Toyota, which also announced UK production plans last year, is already committed to 200,000 units a year at Burnaston near Derby and will undoubtedly, also late in the 1990s, move higher.

In short, a minimum annual output of 200,000 cars a year is emerging as the 'going rate' for new car plants and Honda will not, in the longer term, wish to be disadvantaged at Swindon by a relative lack of economy of scale.

Even at 100,000 units a year, the car plant will create directly 1,300 jobs.

That figure ignores the total already created at the engine production and vehicle preparation and test facilities which have sprouted on the 360-acre site over the past few years, and which are the result of Honda's ever-closer collaboration with Rover.

It also takes no account of jobs created, and likely to be created, as a result of component suppliers being attracted to the area.

Yet perhaps more important than the immediate jobs – for Swindon is suffering a skills shortage, not from unemployment – the plant is becoming a symbol of permanence in terms of the motor industry's presence in the area.

Two years ago, those who live and work in Swindon had reasonable cause to wonder just how secure were the area's motor-related jobs.

It was an important question. Even though Swindon has been spectacularly successful in diversifying its local economy away from the railway engineering activities which were once its sole mainstay – and, when they collapsed, almost its downfall – the biggest single employer remained the giant Rover Group steel pressings and tool-making plant at nearby Stratton St Margaret.

In the spring of 1988, there came an announcement by Jaguar that it was switching, over a three-year period, the contract to build its car bodies from Stratton to a joint venture Jaguar was setting up with GKN at Telford. That meant Stratton losing the production of 50,000 large and complex car bodies a year.

The future of Rover itself was even more uncertain than usual. Market share was still slipping. British Aerospace had announced its plans to take over Rover, but BAe's precise intentions towards the then-deeply troubled car maker were unknown.

Did BAe seriously intend to stay in the risky, and highly costly, motors business for the long term – or would it at some point seek to pass it on to someone else?

Since Honda had previously indicated that it was not interested in a stake in Rover, might the collaboration between the two simply fizzle out once current obligations had been met?

Would Rover – and the demand for Swindon's tools and pressings – then start to wither?

And would Honda then simply wander off to look for partners elsewhere, perhaps on the Continent?

The situation now has been transformed.

The fortunes of Honda and Rover in the UK now look inextricably linked. At the start of this year, an agreement was signed under which Rover is to take a 20 per cent stake in Honda of the UK Manufacturing (HUM), and HUM a 20 per cent stake in Rover.

Rover simply cannot keep pace with demand for the Rover 200 and Rover 400 models it launched earlier this year, and will soon start producing them on a non-stop, three-shift basis.

One of the models, built at Longbridge, is a version built for Honda and carrying the badge of the Honda Concerto.

The body pressings all come from Stratton, as will further variants of the 200 and 400 range still to come, including coupe models, and the rest of Rover's range.

Not least, it is the Stratton plant which will provide the bodies for the as-yet unnamed upper-medium sized cars which will emerge from the new Honda plant, and which will be badged as both Hondas and Rovers.

To meet Longbridge's engine needs and the planned car output from Swindon, Honda's engine plant output will be slowly cranked up from an output of 70,000 to 200,000 units a year. The Swindon site already employs more than 300.

Rover's hopes of two years ago that it would be able to compensate for the loss of the Jaguar deal by expanded output for itself and Rover – it also makes some pressings for Saab and Renault – appear to have been fulfilled. The Stratton plant currently employs 3,200.

While not necessarily a guarantee of jobs, Rover's own commitment to Stratton alo appears to be very much for the long term.

Currently it is investing £35m in automatic transfer presses to make body panels, and claims that other tool-making facilities installed over the past two years are among the most advanced in the world.

The extent to which the presence of the Honda car plant will attract component makers, including the Japanese, to the area remains unclear.

So far there is little evidence of any large-scale influx.

However, while Mr Shojiro Miyake, HUM's managing director, insists that Honda will achieve at least 80 per cent European content within 18 months of start-up, he also indicates that part of that achievement will require European component makers to enter "technical assistance agreements" with Honda's Japanese suppliers if Honda's own quality standards are to be met.

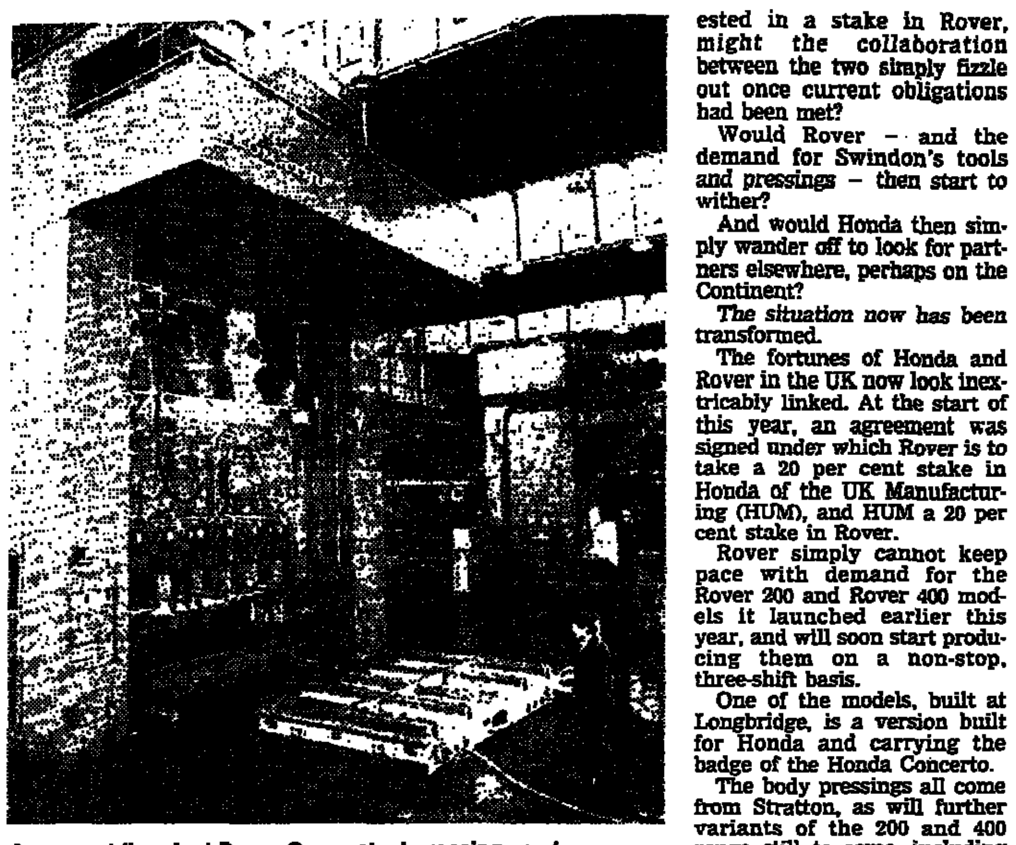
The likelihood must be be that, as a result, some of Honda's suppliers at least will follow it into the UK in pursuit of the £600m-£800m that Honda expects to spend on components each year.

Until last month, it looked as if Swindon would soon become the UK headquarters of yet another car company, the wholly-owned UK sales subsidiary of BMW.

BMW(GB) had announced more than 18 months ago a scheme to build a new, £30m headquarters on a 92-acre site at Spittleborough Field, adjoining the M4 at Junction 17 on Sindson's outskirts.

Last month, it said it would not be proceeding after all, because its West German parent was restructuring all its distribution activities across Europe.

It is an ironic measure of the disappearance of Swindon's unemployment problems that the £30m project, with its associated 400 jobs, would have been well under way by now – had BMW not had to fight an 18-month battle against the local authority's refusal of planning permission.



A press at the giant Rover Group steel pressings and tool-making plant at nearby Stratton St Margaret: Rover simply cannot keep pace with demand for the Rover 200 and Rover 400 models it launched earlier this year, and will soon start producing them on a non-stop, three-shift basis. The body pressings all come from Stratton.

Ossie Ardilles, manager of Swindon Town: big achievements this season

Club mirrors town's success

THE THREE faces of Ossie Ardilles, above, which mirror Swindon Town's flamboyant season on the field, culminating in next week's first Wembley final in two decades, contrast starkly with the problems that Swindon has experienced off the field in the six months.

Honest, intelligent, and creative; his style appears to compliment Swindon's rise from Third Division obscurity to the brink of First Division success.

At last the club appears to mirror the town's own success and provide businesses and business sponsorship with a fitting vehicle for a boom town.

But off the field, Ardilles' former training as a lawyer in Argentina must give him a peculiar insight into the ructions which have beset the club in a series of unexpected developments.

First the Football Association found the former manager Lou Macari and former chairman Brian Hillier guilty of betting against their own club to lose an FA Cup tie with Newcastle United.

Then, halfway through a Football League inquiry into alleged tax problems, charges were laid against Macari, Hillier, and former club accountant Vince Farrar.

While Swindon aims to enter the top flight of English football, there is a real chance the club might face penalties from the league: including possible demotion.

For Ardilles, the developments off-the-field could tarnish a real sporting achievement on it; and obscure a sporting vision of Swindon Town as the ideal symbol of a town seeking to become a city. It is a measure of the affection in which he is held in the town that my taxi driver en route to the County Ground assured me that if Swindon Town were promoted, "then Argentina could keep the Falklands."

But Ossie (or, more formally, Osvaldo) Ardilles, a surprisingly stocky and tough 37-year-old, has no illusions about the reasons for his popularity – "It is because we are winning," he says.

While the boardroom deals with its own problems upstairs, Ardilles' vision is of a Swindon Town which caters properly for its supporters and provides leadership for the community.

"The football club in this country is a focal point for the community – far more so than on the continent." And he relishes the local involvement in the club which was more diffused than at his last – the mighty Tottenham Hotspur.

Ardilles freely quotes the familiar phrase about Swindon being the fastest-growing town in Europe – "we want to be part of that bubble."

He lives locally, at Marlborough, across the Downs, dividing his time between there and the family home in Hertfordshire.

But he freely acknowledges that both the club and the town sometimes fall down on providing services – "we have had no problems with hooliganism this season, but we have failed as a club to give the supporters all the facilities they need," he says.

Asked about the off-field problems, he becomes understandably reticent – "of course, it has been difficult – very difficult. But it has been a good season on the field."

And with at least two big pay days coming for the club: in the play-offs for the First Division, and the Wembley final, the coffers should be in a healthy condition.

Couple to that an average home crowd of around 9,500 and the club appears to represent a sound business searching for the opportunity to blossom.

James Kelly

Residential property market

Cautious optimism

Older houses in Swindon: the housing market has suffered *in line with the national slump, although the attractiveness* of the wider local area also means that it has been somewhat cushioned from the effects of the down-turn.

WHEN the biggest private housebuilding scheme in Europe finally gets underway, it will add to Swindon a development the size of Salisbury. But approval for the 10,000-*house scheme has* been long awaited and now granted, the state of the residential property market does not look as healthy as it did eight years ago when private developers bought the site.

Work on the development will start this spring and is due to be completed by 2005, a straight-forward enough future that conceals an agonised history *of confrontations* between developers and the local planning authorities.

Until recently, the Haydon Sector housing scheme was just one of the logjam of planning decisions relating *to* Swindon, gathering dust at the Department of the Environment.

The 1,000-acre site to the north of Swindon had always been designated an expansion area, and one that was likely to be developed by the private sector following rate-capping of the council which put an end to large-scale council house projects in the early eighties.

The land was bought by Crest Homes eight years ago. Crest then assembled a consortium of developers which became known as the Haydon Development Group – Crest *Homes, Edwin H.* Bradley and Sons, Wimpey Homes Holdings, Prowting Projects, McLean Homes South West, and Costain Homes.

The consortium put in a *planning application* for *10,000* new houses, but at every turn their proposals were opposed by the local council which was worried by the pace at which the plan was perceived to be travelling.

Local councillors and planners felt that Swindon was reaching the limits of reasonable expansion and that if growth were to continue at the rate of the 'seventies and early 'eighties then serious problems would emerge. In particular, the council was worried that Swindon would not have the infrastructure necessary to support the massive Haydon development.

Council reservations grew when the rate of development from 1988 turned out to be *fas*ter than anyone had imagined.

According to Mr Jim D'Avila, *prospective Labour Party* parliamentary candidate for Swindon, the Government has not listened to appeals for infrastructure. When the council *did* spend money on roads *and amenities, he said it* was penalised by rate-capping.

This year Swindon, which set a poll tax lower than the national average, will not be capped but its ability to spend *will be limited* by new rules on local government spending.

With each side's battle-lines clearly drawn, the Haydon saga took a somewhat ironic twist towards the end of last year*.* The project was nearing a start following a request from the DoE for the borough council and the consortium to reach agreement on funding of roads and infrastructure.

The council was still putting up objections when the Department of Transport announced its plans for the route of the Blunsdon bypass last November. The road was to pass through a piece of industrial land, adjacent to the Haydon development site that was owned by the council.

The council was worried that the revenue it would receive for the land would be less than originally envisaged as it had not yet received planning permission as employment land. It therefore designated the site as development land and its value soared.

However, by this time the house-building market had slowed down considerably from the heady levels of 1988 when houses were being completed at a rate of five a day in Swindon. Developers, faced with a very depressed housing market, now saw less urgency in the project.

A cut in interest rates is all that is needed to spark off house-building once again, say the town's estate agents

The scheme will now be going ahead under a package negotiated between the council and the developers which includes some infrastructure work for the developers. There will be one secondary school, seven primary schools and three village centres, each with local shops, community facilities and a health centre of GP's surgery.

The developers backing the Haydon project, are not alone in taking a less-than-excited view of the residential property market in Swindon. While commercial and industrial projects continue to fly ahead, the housing market in Swindon has suffered in line with the national slump, with values *falling* by 20-25 per cent since *the end of 1988 and the value of* land dropping from £700,000 per acre in July 1988 to around £300.000. However, the pressure for new houses is still there and it is generally felt by the town's estate agents that a reduction in interest rates is all that is needed to spark off house building once again.

Mr Phillip Holland of Dreweatt Neate, an independent estate agency which operates in and around the Swindon area, is cautiously optimistic about the residential property market in Swindon.

Mr Holland said that there were *still* a lot of people moving into the area. The attractiveness of Swindon also meant that it had been somewhat cushioned from the effects of the down-turn. Dreweatt Neate's residential department *made a profit* in 1989.

Mr Holland said that property values in Swindon were still at least 20 per cent cheaper than in Reading yet Swindon was still within the "magic commuting hour."

But even when the property boom was at its height, prices in Swindon proved a deterrent for some, especially for people moving from areas where house prices were on an altogether lower plane. Although technically in the south-west region, Swindon owes its economic affinities to the south east which starts only a few miles east of the town.

The trend among companies moving to the area has been to set up disparity valuation schemes whereby the company pays the difference in the value of an employee's previous house.

In the many village locations around Swindon, property values are still 10-20 per cent higher than in the town. Mr Sam Butler of estate agent's *Knight Frank and Rutley, said* the effect of the national trend in the housing market had been viewed through rose tinted glasses in the Swindon area, particularly the quality end of the market – "there aren't so many buyers, but there *are* still buyers," he said.

Emma Tucker

Tensions in the commercial property sector

Expansion debate hots up

A BATTLE is on in Swindon between the expansionists and the non-expansionists – a battle which is set to intensify as land for development in Europe's allegedly *fastest-growing town becomes ever* more precious.

Tensions between the Labour-controlled borough council, private developers and central government are likely to *intensify as development* – until now, council-led – is increasingly taken over by private developers.

The situation is exacerbated by Swindon's peculiar history *which gave rise to an unusual* situation. In the 1950s, Thamesdown Borough Council bought up much of Swindon's surrounding land with the intention of diversifying industries away from the railways so that when changes occurred in the the economy, the town would not suffer the full consequences. At the time, the land was relatively cheap and, aided by resources from the London County Council, as an overspill area, the council was able to undertake significant development.

Space pressures on fringe development areas are intensifying, says EMMA TUCKER

That land is now running out – but the marketplace's enthusiasm for Swindon as an area for development and relocation has not expired with it, and the expansionists believe that if Swindon is to continue to thrive then it must carry on attracting companies and creating new jobs.

According to local politicians, however, local people want to slow down the pace of development and to preserve what, at the moment, is still a comfortable town in which to live – "if you add another 50,000 people," say the politicians, "the town will jam-up."

Mr Chris Firth, a development analyst for the council, says that in the last decade the local authority, as a major land-owner, was instrumental in encouraging development. But the pressures are now beginning to be felt on the fringes of the development areas where the council is not necessarily a land owner.

There is a genuine fear *among local people that the* town is "gumming up and will become over-loaded like some of the other successful towns round here," he says.

Where once there was consensus on growth, with the council endorsing the expansion of Swindon, the arguments are becoming increasingly political as local opinion veers away from that of the developers and the Government.

So far, however, it would seem that much of the expansionist, non-expansionist debate has been largely academic. The Government's treatment of Swindon would suggest that it has unofficially designated the town as an expansion area. A recent report in Swindon Business News said it was rumoured *that Mr Chris Patten, Secretary* of State for the Environment, was likely to take an expansionist view of the Thamesdown area.

Certainly the majority of recent appeals have found in favour of the developers. North Wiltshire Council fought against BMW's plans to build a new UK headquarters on a 92-acre green field site slightly outside the borough council's boarders. When BMW went to appeal, Mr Patten found in their favour. BMW eventually decided *not* to go ahead with the project, thus abandoning an unconditional development site worth between £30-£40m which is regarded as the best in the south of England.

An option on the land is held *by Laing, the construction* company but it is also understood that St Martins Property, developers of an adjacent site, the Windmill Hill Business Park, has also expressed an *interest. Mr Patten's decision* on the site has raised hopes for a number of other appeals currently being considered by the DoE such as an appeal by Coate Water to build another *office* park.

There is very little that the council can do to prevent these and other appeals. Unlike before, they do not own the land and are discovering that *by refusing planning* permission the companies are simply taking them to appeal, which costs them sums it cannot easily afford.

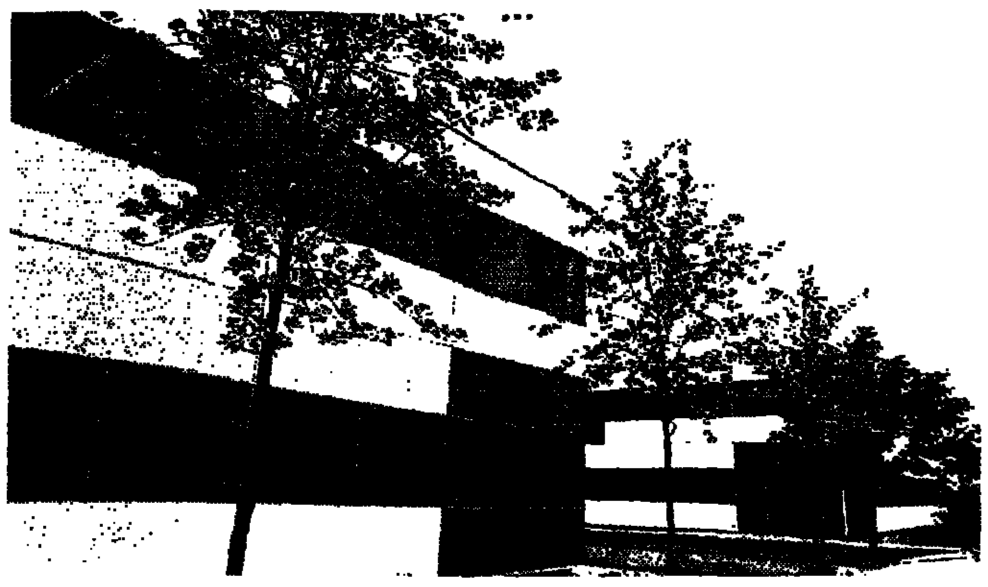
However, the council does *own the Granville site in the* centre of town, where Norwich Union was granted permission to develop a retail scheme which was to include refurbishment of the council's Bru*nel Plaza and Arcade at a cost* of £120m.

The council and Norwich Union fell out over the development and Norwich Union withdrew at the end of last year. Their decision came as a blow to the council's plans to bring Swindon's retailing sector up to a better standard.

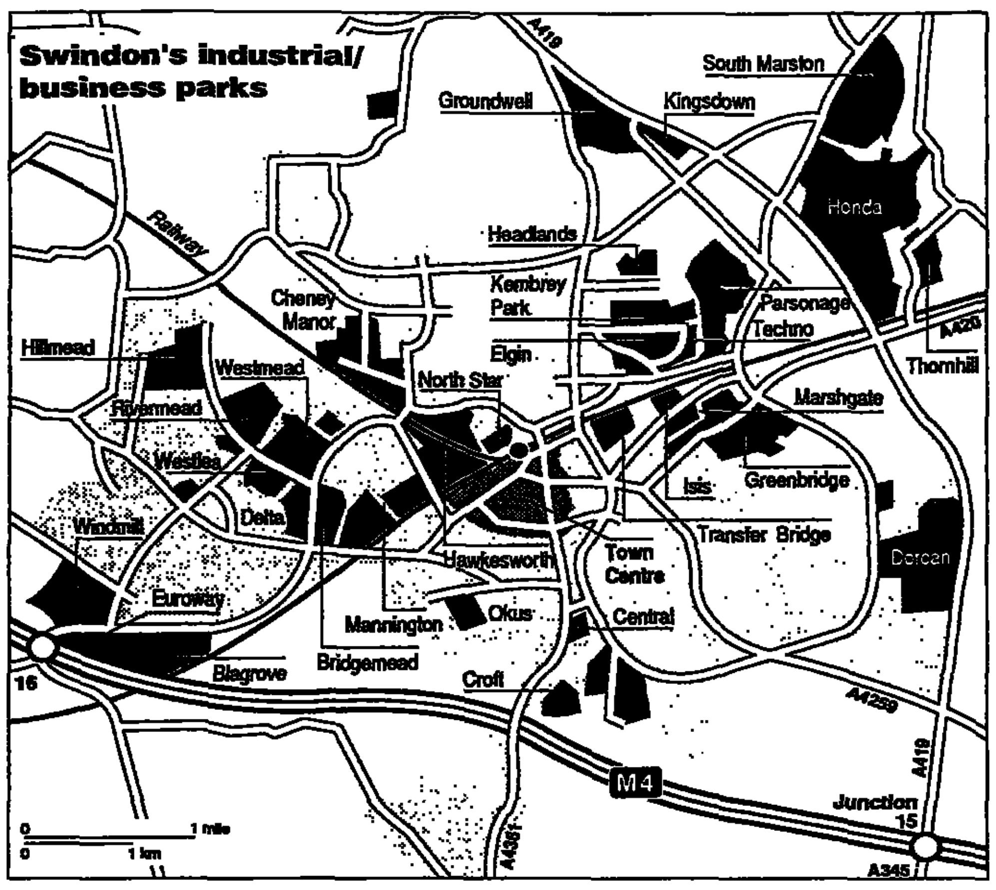
"Swindon can't be a city like Bath," says Ms Sue Wright of estate agents J.P Sturge. "But people would come here if they thought there was enough choice, especially since Swindon doesn't suffer from the parking problems of Bath and some of the other regional shopping centres".

One scheme under way is Tarmac's mixed development of a 140-acre former British Rail engineering works. The development *will include* homes, offices, industrial, retail, leisure and entertainment facilities. Brunel's railway buildings will be preserved under the conditions of a *50-acre conservation area.* Work has already begun on a 70,000 sq ft out-of-town development for J.Sainsbury.

On a smaller scale, Sun Alliance is expecting to get a decision from the council *on its* plans to refurbish and redevelop the Parade Shopping Centre which should be on-site by the spring of 1991.



Modern units at the large Kembrey Park Industrial Estate



Growing role for Great Western Enterprise

Catalyst for business expansion

Age group	1971*	1981*	1983**
0-4	8.9	6.5	6.4
5-9	9.7	7.1	6.2
10-14	8.7	8.2	7.3
15-24	14.4	17.2	16.6
25-44	25.7	27.2	28.3
45-64	21.8	21.9	23.0
65-74	7.0	7.3	7.5
75+	3.8	4.7	4.6

Population structure (%)

*Census figures; **headcount survey by Wiltshire County Council and Thamesdown Borough Council, which identified the total population at 157,390 in 1983. By 1991, an estimated 173,200 people will be living in Thamesdown, rising to 181,400 by 1996. Swindon is the urban, economic and residential centre of Thamesdown and the largest town in Wiltshire.

The range of companies in which the GWE is involved is very wide, reports STEWART DALBY

GREAT Western Enterprise would be largely indistinguishable from the more than 300 other local enterprise agencies (LEAs) or trusts throughout Britain, were it not for what its director, Mr Norman Hayes, calls its "dowry."

When British Rail Engineering Limited (Brel) finally closed its workshops in Swindon in March 1986, some 1,300 were thrown on to job market. Later that year, a further 800 were made redundant.

Swindon Development Agency was set up with £1.25m of British Rail money. Mr Hayes might kindly call the cash a dowry, but others have referred to it as "conscience" *money*.

It would be difficult to exaggerate the importance the railways had been for Swindon. BR was overwhelmingly the largest employer. Once, the workshops and related activities employed 14,000.

When the last closures came in 1986, male unemployment had been some 3 per cent below the figure for Britain as a whole. With the job losses, Swindon's male unemployment shot up to nearly 15 per cent, on a par with the national average.

However, as Swindon has grown dramatically in the past few years, the jobless figure has tumbled. Unemployment, male and female, is down to 3 per cent, although male joblessness is thought to be higher than female. This could change as Honda finds the 1,300 employees it is looking for at its new car plant.

It is as well to be clear on the role the Agency has played in this growth in jobs. There is a common misconception that Swindon's well-charted expansion of recent years was the result of a government body like the Scottish Development Agency or the Welsh Development Agency throwing large sums of money at companies in *the form of grants* and other financial incentives to get them to relocate to Swindon.

But the Thamesdown Borough Council and the Wiltshire County Council, have never *been in a position* to offer financial help to companies. The large number of concerns, in financial services and in electronics, which have relocated to or expanded in Swindon have done so because of the good communications, the relative cheapness of land and the availability of skilled labour.

The Swindon Development Agency was a more limited venture, aimed specifically at mopping up the railway job losses.

Nevertheless, together with the Swindon Enterprise Trust which has been in existence since 1982, the agency has played an important part in creating new jobs, particularly through the encouragement of small and new businesses. The two agencies were merged and for the over the past year have operated as the Great Western Enterprise.

Mr Hayes reckons they have helped more than 1,000 companies, either through start-ups or expansions. Certainly the agency has been responsible for the creation of more than 1,000 jobs.

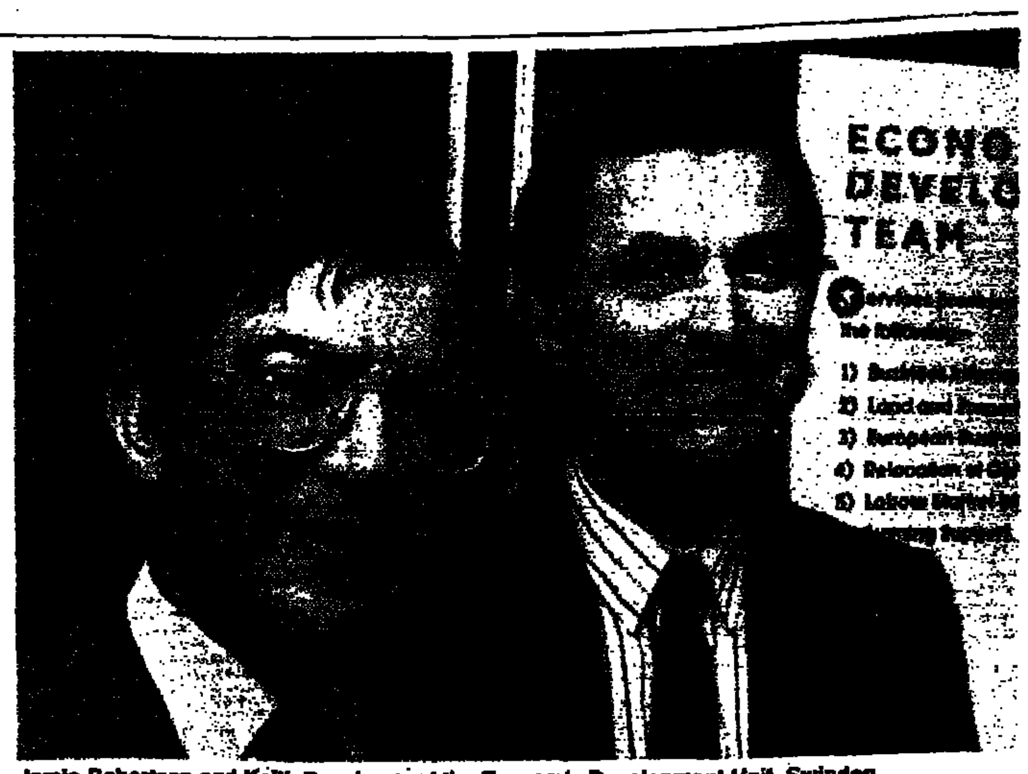
The legacy of the British Rail dowry is that GWE is funded 90 per cent by the private sector. Other agencies are funded 41 per cent by the private sector, 35 per cent by the government and 24 per cent by local government The Thamesdown Borough Council, the trade unions and the Wiltshire County Council all have an involvement in the GWE, but proportionately not so great a role as the private sector.

Most of the big-name companies in Swindon have been involved with the GWE at one stage or another, including Allied Dunbar and Tarmac. Now, of the income expected for 1990 of £763,000, some £619,000 will come from property rentals.

Business premises is one of the four areas of activity in which the GWE is currently engaged. This started when Allied Dunbar, which owned the old fire station, agreed to help the Enterprise convert it into workspaces for a limited period. Now GWE has over 110 small light industrial units available on easy-in, easy-out terms in five locations throughout Swindon. It also has 90 fully-serviced office suites for small businesses, and conference and meeting rooms at the Great Western Business Centre and Shaftesbury Centre.

The great advantage which the units offer to small businesses, according to Mr Hayes, is the flexibility in renting. Businesses either starting up or expanding do not often want to be tied up with long leases if they do not know what their future holds. The GWE offers accommodation which companies can give up very quickly and easily if they outgrow them.

The property side ties in with a second area of activity: business finance. The GWE arranges and monitors various forms of finance. There are unsecured loans of up to £5,000 for manufacturing concerns. There are loan guarantees – up to £25,000 from the BP Wiltshire loan guarantee fund. Finally there are equity investments. They can range up to £50,000 from the Thamesdown Borough Council/GWE Swindon Development Capital Fund.



Jamie Robertson and Keith Duesberry of the Economic Development Unit, Swindon.

In all, there is some £300,000 for these various forms of lending. It is important that small growing companies have access to funds, Mr Hayes says.

"While a well-established company will have few problems borrowing £250,000, a small little-known group can have a devil of job raising £50,000. The GWE usually has someone seconded from one of the clearing banks working in its head office. At the moment, there is a representative from the Midland. Before, there was a secondee from Barclays.

The range of companies which the GWE involves itself in is very wide. It covers car valeting services, sandwich rounds, nursery creches, antiques restoration, electrical contractors, health and fitness clinics and so on.

The third area of GWE's activities is advice and information. This covers everything from helping start-up companies draw up a business plan, to individual book-keeping clinics for businesses in their first year of trading, to weekly free legal and accountancy clinics to a one stop information centre. The GWE also has "an enterprise bus," visiting rural areas.

The fourth area is business training. As skill shortages start to occur in Swindon, as elsewhere, this is of growing importance. At the moment the GWE runs weekly "enterprise awareness days."

There are also monthly evening courses on all aspects of training, plus "Be-your-own-boss evenings." The GWE, in conjunction with the TBC, is looking at programmes for attracting women back to work outside the home – and that involves creche facilitie and so on. There are also projects for other groups such as the disabled, and the young. The GWE is thus firing on all cylinders and will continue to be an important catalyst in Swindon's business growth.

Profile from the information technology sector: Datatrak

A new breed of company

DATATRAK is a good example of the new breed of information technology companies which are sprouting up in Swindon.

It calls itself the vehicle location system and it is easy to think of it as a company supplying tachographs, the tachometers or so-called "spies in the cab" which are used especially to record the speed and distance covered by heavy goods vehicles.

However, Datatrak sells a new – if not unique – tracking system which can pinpoint with great accuracy the locations of vehicles which carry its little electronic boxes.

The system has grown out of marine navigational systems and avionics used in aircraft, and has been developed at a cost of £13m over the past five year by Securicor and George Wimpey. Datatrak is now a wholly-owned subsidiary of Securicor.

The system has a number of stations throughout Britain that transmit continuous long-wave radio signals which are picked up by a micro-receiver in the vehicle.

The signals are relayed from the vehicle to one of more 80 listening stations operating on UHF and linked to a computer network.

The computers rapidly unscramble the data, pinpointing the position, speed and direction of the vehicle.

This information is sent through a normal telephone line to the owners of the vehicle, who monitor its progress on a screen.

The screen shows a 1:50,000 scale Ordnance Survey map of Britain which can focus on any point to show even the smallest roads.

The position of the vehicle is shown as a small light. If the vehicle veers from its intended route, those watching can tell immediately from his screen.

Dr Roger Harris, managing director of Datatrak.

While the commercial traveller or goods-lorry driver might find it irksome to be tracked if he spends too long in the public house, lingers over lunch or nips off to the golf course in the afternoon, the value to what Datatrak calls "irregular travellers" such as police cars, *ambulances or breakdown* systems, can readily be imagined.

Knowing exactly where a fleet of vehicles is at any given time, 24 hours day, seven days a week, can result in savings in both time and money.

There is also greater security and the system has been taken up by operators with high value loads, jewellery, wages and so on. This inevitably *includes Securicor, the parent*.

The system has been in operation for around a year. There was a pilot scheme in the south-east for a while, then it was extended to the Midlands. Later this year the lowlands of Scotland will be included. Datatrak does not think it will be covering Wales, Cornwall or the north of Scotland.

Not so long ago, the company achieved publicity when the system was used to apprehend hijackers. A lorry containing 3.7m cigarettes, worth £300,000, was stolen – the vehicle had been stopped on a slip road, off the A-40, near Northolt. It was then driven across north London, with the hijackers unaware there was a tracking device in the cab.

The police were informed; they, in turn, sent up a helicopter, and the lorry driver was swiftly arrested in Dagenham, 40 miles from the scene of the crime.

Dr Roger Harris, the managing director of Datatrak, makes the point that for service organisations, such as the police or vehicle-rescue facilities, the value of the system is obvious.

However, Datatrak's customers include some not usually associated with tracking systems. One of these customers is a water bus company.

For regular users, such a heavy goods vehicle fleets delivering to supermarkets and shops, the system can mean substantial savings.

He claims that Britain has introduced a just-in-time delivery system to supermarkets and chain stores which is the envy of Europe.

Some chains offer a delivery *opportunity of only 10 minutes* which, if missed, means the vehicle has to go away and come back later. If a fleet of vehicles is furnished with the tracking system, it could result in considerable savings.

In its marketing, Datatrak attempts to show that the cost of the system – between £20 to £30 per vehicle – can be more than made good by knowing exactly where the fleet is at any given time.

Datatrak already has around 600 customers.

Dr Harris says he doesn't expect sales "just to go whoosh," but hopes for a steady build-up – "there are 3.75m heavy goods vehicles in the area which we cover. There are also some 900,000 carphones in operation."

The company, he feels, can reasonably anticipate a few *thousand users*.

The reason that Datatrak is based in Swindon is that George Wimpey and Securicor were already located there when product-development began, five years ago. The company now employs 75 people in its Swindon plant, with 60 others "out in the field."

Dr Harris does not expect the company to move from Swindon – although he has *reviewed other areas*, he explains that when you take into account the problems of relocating, buying and selling housing and so on, "there is nothing much better."

Costs in Swindon are still lower than Reading to the east and Bristol to the west. Swindon is not yet as congested as either of these towns.

Unlike electronics companies in the Thames Valley, for *example, Datatrak has no problems* finding the staff it needs, be these scientists, technicians or clerical workers.

But Dr Harris concedes this situation could change as more information technology companies, such as Galileo, the company which runs computerised reservations for European airlines, are attracted to the area.

He feels, however, that there are benefits in being part of a *business-related culture* – "it helps to know that my neighbour is involved in information technology.

"There are also all kinds of spin-off in sub-contracting and related services if there is a number of companies," he says.

Stewart Dalby

ACCOUNTANCY COLUMN

Transatlantic lesson on complex capital issues

By David Waller in London and Pratap Chatterjee in New York

THE UK's Accounting Standards Committee has never tackled the question of how to account for complex capital issues. Its successor, the Accounting Standards Board, probably ought to. The instruments used by companies to raise funds have grown in number and in complexity over recent years, and a guide to how to account for such instruments is sorely lacking.

As explained in the recently published review of Financial Reporting in 1989-90, the turning point was the October 1987 stock market crash, after which investors lost their appetite for shares. Unable to issue equity, companies had to find more ingenious ways to finance their expansion plans, and they did so very successfully with the help of the "rocket scientist" community in the City of London.

Deep-discounted bonds, "synthetic convertibles," convertible loan stock with premium puts, CATS, TIGRS, and flip-flop notes – all may appear incomprehensible to the humble auditor and to those who make use of audited figures. Such instruments are driven by tax and accounting considerations, and it is often difficult to tell whether they ought be dealt with as equity or debt or a mixture of the two.

While accountants do not have the job of assessing the risks in these instruments, they do have to sign their names to the basic information that appears in financial statements about the instruments so that readers are aware of the liabilities. In the UK, they are given guidance only by a technical release put out by the Institute of Chartered Accountants in England & Wales (ICAEW) in November 1987.

The ASB will undoubtedly tackle the issue, and it will be unable to do so without looking across the Atlantic to see what the Financial Accounting Standards Board (FASB) has been up to in this area. FASB is engaged in a long-term project the aim of which is to classify complex financial instruments and provide ground rules for their measurement.

The ASB will undoubtedly tackle the issue. It will be unable to do so without looking across the Atlantic to see what the FASB has been up to

The first part of FASB's project emerged in March this year, when it issued its Statement 105, which companies will have to comply with for fiscal years ending June 15 1990 and thereafter.

Statement 105 will require companies to disclose: the face, contract or notional principal amount of the instruments they hold; the amount recognised in the balance sheet; the nature and terms of the instrument; a discussion of the risks they are exposed to and the accounting policies related to each; the loss sustained if the counterparty to the contract fails to fulfil obligations; and the company policy for requiring collateral or other securities against default.

An exposure document for the second part of the project, due out by the end of the year, will explain how such instruments should be recognised and measured – that is, what financial impact they will have on a company's balance sheet and profit-and-loss account. FASB is still deliberating on that part of the project, but Mr David Mosso, assistant director of research and technical activities, explains that FASB wants to categorise the risk that the instruments pose into three broad areas – market, credit and liquidity risk.

The methodology followed by the US body will undoubtedly be of interest to Prof David Tweedie, chairman of the UK's ASB. According to Mr Mosso, FASB's early analysis then identified six "building blocks" that make up all financial instruments, and instruments are considered to be mass-produced using all or some of these blocks.

The six blocks include contracts to:

- Pay or exchange when specified (unconditional obligations such as receivables);
- Pay or exchange when an uncontrollable event occurs (conditional obligations such as an interest-rate cap);
- Pay or exchange if and when the controlling owners agree (equity instruments).

The other three are forward contracts, options and guarantees that are special cases of the first three "blocks."

Mr Mosso believes that, grouped that way, many instruments become a lot simpler to understand. He gives examples of conditional obligations – swaps, caps, loan commitments, credit insurance and standby letters of credit.

He says: "It takes some probing to discover that they are the same thing: insurance contracts. They all come down to providing insurance against one or more of the three financial instrument risks."

With many instruments, that relationship may not be obvious and may distract the accountant because of the "bells and whistles" attached. He points to a contract that calls for the purchase or sale of an instrument as part of the "insurance settlement". An example might be a fixed-price put option where the purchaser or the "insured" gets the difference between the price of the instrument agreed upon in the contract and the market price when it is sold.

For example, if a purchaser has an option to buy an instrument at $100 at a date when the market value is $110, the profit would be $10 if it were sold at that price. Under conventional accounting, the purchase would be recorded as either $100 or as an asset worth $110. But under the new system the economic compensation, that is, the profit of $10, would be more important than the actual transaction.

Many UK accountants are horrified at the idea of finding themselves subject to US-style standards. They claim they are inflexible and rule-bound

It gets more complicated as the instruments insure against more than one type of risk. For example, a fixed-rate loan commitment insures both liquidity risk and price risk. Other instruments such as forward contracts obscure the notion of "insurance" because the issuer and the holder can be insurers and insured depending on how the price of the object of the contract changes.

In that case FASB will expect the accountant to separate the transaction into two – one for each direction of price change.

At the same time, Mr Mosso says that the approach to understanding the risks of an entity that owns a number of financial instruments, often concentrates on the wrong thing. In this case accountants pay too much attention to the detail of each individual instrument.

"An entity's sensitivity to credit and market risk tends to decrease with diversification and increase with concentration," he said. "Its liquidity risk goes beyond the financial instruments in existence at any point in time and looks to untapped capacities of its ability to raise cash."

How the US proposals will work in practice remains to be seen, but Prof Tweedie might do well to hop on a plane and talk to Mr Mosso at FASB. Many UK accountants are horrified at the idea of finding themselves subject to US-style standards. They claim they are inflexible and rule-bound.

Here is one instance where the UK profession could definitely learn from the US.

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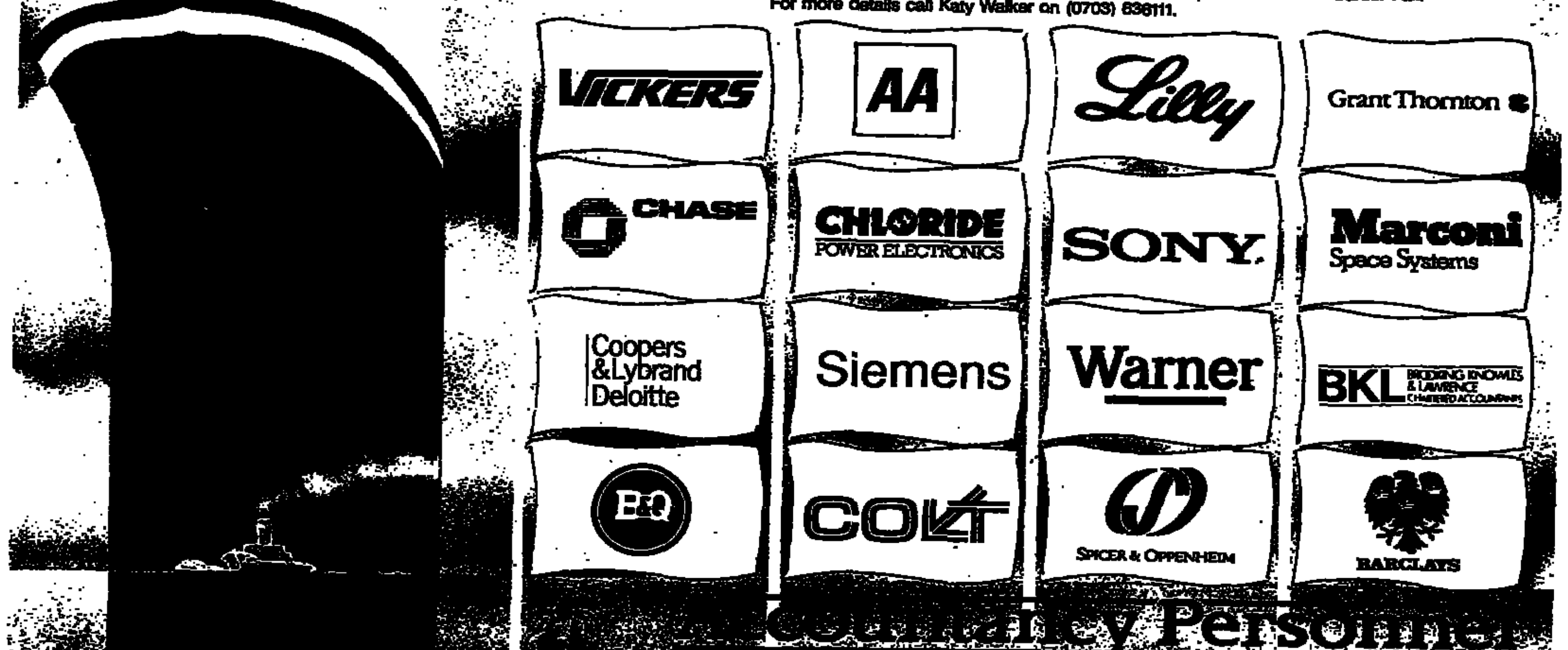

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In order to direct your own team effectively, you will need strong management and interpersonal skills, evident leadership qualities and a clear perspective on your own ambitions and career objectives. Success as a Finance Manager will inevitably lead to a more senior position in Avon which may be either in the UK or overseas, within finance or in a more general management role.

You should be a qualified accountant, mid 20's-early 30's, preferably a graduate, with an impressive track record in financial planning analysis or control and be able to display considerable commercial acumen together with a well defined personal career plan. In return, Avon offer a competitive starting salary with an excellent benefits package to include a quality car, free pension and family BUPA, annual bonus, free life assurance and a full relocation package where appropriate.

If you feel ready to take up the challenge of a career with the world's leading direct sales company, and possess the talents, ambitions and skills needed to succeed, please contact Bill Greenwell or Sally Coggins at:

CMP

CAREER MARKETING PARTNERSHIP
170 EDMUND STREET, BIRMINGHAM B3 2HB · TEL: 021-233 4224.

ILG

GROUP FINANCIAL ACCOUNTANT

Leisure Sector

West Sussex — **c.£28,000 + car + benefits**

International Leisure Group, a major force in the leisure and travel industry, has established a pre-eminent position in a highly competitive market. A sustained period of acquisition and organic growth has created an unrivalled pan-European network and the Group is ideally positioned to capitalise on the unique operational synergy of its tour operating, airline and aircraft leasing businesses.

A Group Financial Accountant is now required to join a small interactive team responsible for financial planning, statutory accounting and budgeting. This high profile role involves liaison at board level and offers additional exposure to a range of ad hoc exercises, including project evaluation.

Applicants should be ambitious and energetic accountants with approximately one year's post-qualification experience, gained in a major accountancy firm. Commercial acumen, computer literacy and well-developed financial reporting skills are essential prerequisites.

The role demands a proactive approach and will suit a confident, assertive individual with first class communication skills and considerable initiative. Opportunities for future development and career progression within the Group are excellent.

Please write, in confidence, with full career and salary details, to Tim Knight, quoting reference I3992.

KPMG Peat Marwick Selection & Search
70 Fleet Street, London EC4Y 1EU

Quality Consumer Product

FINANCE EXECUTIVE

. . . . . with strong general management bias

North Manchester — **To £30,000**
Age 30+ — **exec. car & benefits**

Already an established household name, this manufacturer of branded consumer products enjoys a reputation which is synonymous with quality and good design. With turnover approaching £10m, the company plans to expand their domestic as well as bespoke contract operations in the UK and Europe. Continuous investment has provided a high level of technological advantage, which will underpin the next phase of expansion. To build a new strategy for the 1990's, the present executive team is to be strengthened with an experienced finance professional.

Working closely with experienced support, including DP, an early priority will be a review of existing systems and the development of more responsive management information. Involvement in planning the growth of the operation, will require sound technical skills matched by strong strategic thinking. General management responsibilities will also include financial aspects of the contracts operation, sales administration, customer services and input into stock control - all areas where you will be encouraged to contribute new ideas.

You will need to be a seasoned qualified professional, who can operate at a senior level. Your sound commercial instincts will allow you to focus on issues across the whole spectrum of executive control - providing an excellent opportunity to make your mark.

Please apply to our Manchester office where your contact is Karen Travis Ref: M389

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ASB RECRUITMENT LTD

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Manchester M2 1EA. Tel: 061-834 0618
Fax: 061-832 9123
Also at: Birmingham, Leeds, Liverpool
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A Division of ASB Barnett Kinnings Plc.

Key Finance Role in High Street Retailing

SECTOR FINANCIAL CONTROLLER

Central London — **Up to £45k Plus Car**

Our Client, is a major quoted Group widely regarded as being a market leader in a variety of High Street retailing sectors.

Group Finance has an integral and influential role in monitoring, evaluating and advising on Group activities and plays a key part in the management decision making process.

To further develop the strength and depth of this team the Group now wishes to appoint an individual who will take responsibility for a key business sector working closely with senior management on a variety of business issues.

As a qualified accountant, in your early 30's, you should already have combined a strong technical background with proven commercial and operational experience gained from a fast moving and dynamic business. Those candidates who have had demonstrable exposure to business planning and analysis will be at an advantage.

The role provides enormous opportunity for career development in what is an extremely attractive and dynamic group of companies either in line finance or general management at Group or operating company level.

Interested applicants should contact **Charles Austin** quoting Ref A581 at Mervyn Hughes International Ltd, Management Recruitment Consultants, 63 Mansell Street, London E1 8AN. Tel: 071-488 4114.

FINANCE DIRECTOR

Biwater Supply (Holdings) — **Bournemouth**

Biwater Supply (Holdings) plc is a major subsidiary company of the Biwater Group of companies — a highly-respected, successful international organisation with worldwide engineering and water supply operations. A Finance Director is now required to play a key role in the financial control and development of the company.

Your challenge will be to develop a broad financial strategy and design and implement an integrated financial control and management information system. Other major responsibilities will include implementing common accounting practices throughout the company to conform with the Group's policies; raising finance as and when necessary; and ensuring maximum benefits under current tax legislation.

Aged 35-50, you must be a commercially-orientated qualified accountant (preferably FCA). Knowledge of the water industry would, of course, be an advantage.

Salary, geared to qualifications and experience, will be accompanied by a comprehensive range of benefits including performance-related bonus, car, pension, private health care, and relocation assistance where appropriate.

To apply, please send full cv to David White, Corporate Personnel Director, Biwater Limited, at the address below.

Biwater

Biwater Supply (Holdings)
Biwater Court, Station Approach, Dorking, Surrey RH4 1TF England
Telephone (0306) 740740 Telex 859529 BWATER G Facsimile (0306) 885233

Offices in Australia, Caribbean, France, Hong Kong, Indonesia, Iraq, Italy, Malaysia, Nigeria, Pakistan, Panama, Republic of Cameroon, Thailand, United Arab Emirates, West Germany

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UK Finance Director

West London — **to £35,000 + Car**

Our client is a diversified marketing services company operating in the UK and Scandinavia, with a combined turnover of c £30 million.

Working closely with the UK Managing Director and Group Finance Director, this commercial appointment carries responsibility for leading the finance function and a strong participation in business development.

The three UK subsidiaries are located in the home counties, and the Finance Director will be expected to divide his time between head office and the operating units. Each subsidiary has an established team providing management information and key criteria for this appointment include staff leadership and motivation, proven commercial acumen together with a solid accounting background and outgoing personality. Prospects within the group are excellent for future career development.

The successful applicant will be a qualified accountant aged 28 to 35 with demonstrable commercial skills gained in medium sized service companies.

Interested applicants should contact Diane Forrester ACA, quoting reference 502 at Michael Page Finance, Executive Division, Page House, 39-41 Parker Street, London WC2B 5LH, telephone 071-831 2000.

MP
Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

FINANCIAL CONTROLLER

Circa £45,000 package plus car

TSB Trustcard provides card-based financial services to the TSB Group. It is a member of both VISA and Eurocard/Mastercard payment systems and has in issue 3.5 million credit cards.

A senior management appointment now exists within the Company's Financial Division, based at our Head Office in Brighton. Reporting to the Finance Director, you will be responsible for controlling and developing the Company's financial accounting and planning systems, as well as taking an active part in the development of new products and services.

This is a key role which calls for an individual who possesses excellent management and interpersonal skills, coupled with a good working knowledge of financial systems. The ability to communicate with colleagues from non-financial disciplines is a pre-requisite. Candidates, in their mid-thirties, should be qualified accountants (ACA/CACA/CIMA) who have obtained a broad-based commercial awareness within a similar fast-moving environment.

In addition to an attractive salary a valuable range of banking benefits will include: –

* Low cost mortgage
* Non-contributory pension
* Private medical cover
* Free life assurance
* Profit sharing
* Christmas bonus
* 30 days' annual leave
* Full relocation package

If you feel you possess the necessary qualities please send a full curriculum vitae (to include current remuneration) to:
Christiane Stagg, Personnel Manager,
TSB Trustcard – Card Services, Brighton BN1 4BE
or telephone (0273) 724666 ext 5208
for an application form.

TSB TRUSTCARD

GROUP FINANCE MANAGER

NORTH LONDON c. £35K plus bonus plus car

This International Group has achieved consistent profitable growth with a turnover worldwide in excess of £100,000,000 pa. Its core business activities are contracting orientated with a dual focus on satisfying both commercial and environmental needs. 1990 is on target for another year of excellent results and the Group has well developed plans for a "full flotation" within three years.

Due to the increase in the scope of the Group's financial reporting, a Group Finance Manager is required. This role will be responsible to the Group Finance Director for all matters pertinent to production of quality financial statements throughout the Group. The position demands a combination of strategic and commercial flair allied to the technical expertise necessary to maximise growth opportunities as "full flotation" approaches. Based in London, the Group Finance Manager will be expected to undertake some overseas travel notably to the main operating units in the USA and Germany.

Candidates will be qualified accountants, ACA, ACMA, ACCA, probably aged between 25 – 35 with some experience of working within a group environment either in a functional or auditing capacity. Strong inter-personal skills will be required as the successful applicant will be expected to act on his own initiative on a variety of projects throughout the Group. To assist the candidate in his role in Europe a knowledge of German would be useful but is by no means a prerequisite. In exchange for your commitment the Group offer an excellent salary package plus the opportunity to develop as the Group itself develops.

Please submit your cv in application and in confidence to: Ref: 90/102 Adrian Wheale Consultancy, Executive Selection and Search, 31-33 Corn Street, Bristol BS1 1HT. Tel: 0272 308809

هكذا من الأصل

International Tax

Banking, City Based — to £37,500 + Banking Bens

Our client is a multinational banking Group headquartered in London. Its 28,000 staff manage assets of £24 billion in more than 50 countries, in many of which the group is recognised as one of the leading banks. Trade finance is still a cornerstone of the Group's activities but the services offered to customers also include all aspects of corporate and personal banking with specialist services in treasury, eurocurrency, bullion, asset management and protection, card services and merchant banking.

Due to an expanded workload our client wishes to appoint an Assistant Overseas Taxation Manager. Working with the Overseas Taxation Manager, the role will involve some travel to and regular liaison with the Group's overseas operations. Assignments will be predominantly project orientated with the ultimate aim of ensuring tax efficient business decisions worldwide.

Ideally, you will be a qualified accountant with broad based experience in international taxation. This may have been gained either in professional practice or in a commercial tax role.

For further information, contact
Rod Bateman ACA on 071-831 2000
(evenings/weekends on 071-724 9250)
or write to him at
Michael Page Taxation, 39-41 Parker Street, London WC2B 5LH.

Michael Page Taxation
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Harco

Director of Finance

Harlow, Essex — to £35k + Bonus + Car

We have been retained by the Harlow Chemical Company, one of the country's leading manufacturers and suppliers of speciality chemicals, and a major innovator within its field. Harco has a current turnover of c£40 million, is jointly owned by Hoechst (UK) Ltd and Yule Catto & Co Plc and enjoys access to the resources of each of the parent companies. Both Harco and the Groups have an impressive recent growth record and are poised to embark on an exciting stage in their development in the UK and overseas markets.

As a result of an internal promotion our client is seeking to appoint a Director of Finance who will form an integral part of the Board and Management team. Working closely with the Chief Executive the successful candidate will overview all aspects of finance, administration, reporting and control whilst maintaining a proactive involvement in managing the development and commercial success of the business. In addition he or she will take full responsibility for staff training and development and will liaise closely with the parent companies in areas such as systems development.

As a qualified accountant, the successful candidate will be a Senior Financial executive able to demonstrate an impressive track record in industry. Good interpersonal skills combined with the ability and presence to build rapport with senior operational managers are essential requirements in order to make a significant contribution to the company's continued success.

For further information, please write enclosing a full C.V. to **David Head, Michael Page Finance, Centurion House, 136-142 London Road, St. Albans, Herts AL1 1SA.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

TAX MANAGER

Central London — to £60,000

Our client is one of the leading names in the exploration, production and supply of oil and gas products. As a consequence of undergoing a period of unprecedented growth and expansion there is now an immediate requirement for a highly talented individual to head up the treasury and acquisition function of this large and growing taxation department.

Reporting to the Director of Taxation your primary responsibilities will include: the provision of advice on all taxation aspects of the Group's acquisition and divestment policies; efficient tax planning in respect of the Group's Treasury Operations – both UK and worldwide and liaising with appropriate professional advisors and government bodies where relevant to the above activities.

The successful candidate will be a graduate qualified accountant with a minimum of seven years corporation tax experience gained within either a professional or commercial environment. Ideally you will have had exposure to the tax consequences of sophisticated treasury operations and strategic tax planning and be able to demonstrate the interpersonal skills and confidence required to deal with people at the highest level.

As well as the advertised salary the package will include a company car, a profit related share scheme, contributory pension scheme and private medical insurance. In addition a generous relocation package is available, if necessary.

Interested applicants should telephone Steve O'Connor on 071-437 0464, or write to him, enclosing a detailed CV, at the address below.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 071-437 0464

Financial Director Designate

Midlands — c.£28,000 + car + benefits

Our client is a highly successful group of companies in vehicle distribution employing over 160 people and with a turnover in excess of £20 million.

To further strengthen the management team, a Financial Director Designate is required to contribute to the achievement of the group's objectives through the implementation of appropriate financial strategies and plans.

This will involve close liaison with operating executives and staff together with the group's principal suppliers, as well as management and control of the accounting function.

Probably in your mid 30's and a qualified accountant, you will have had exposure in a group with well developed computer systems. You should have company secretarial and treasury management experience and have worked in at least two organisations. Some background within the transport industry would be beneficial.

To apply, write to Ian Woods, quoting reference B8504 to Grant Thornton Management Consultants, Kennedy Tower, St. Chad's Queensway, Birmingham B4 6EL.

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MANAGEMENT CONSULTANTS
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Financial Recruitment Specialists

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INVITE YOU TO A BUSINESS BREAKFAST

CURRENT TRENDS IN CORPORATE FINANCE

AT THE SAVOY HOTEL, STRAND, WC2
ON THURSDAY 7TH JUNE
FROM 8.30am - 9.30am

The talk will be given by Adrian Bradshaw, Managing Director of Arbuthnot Corporate Finance, and will cover -

- Demergers
- Recapitalisation
- PLC takeovers via "earnouts"
- Off balance sheet vehicles
- Unquoted convertible preference shares
- ESOPS
- Covered Warrents/preference issues

Aged 33, Adrain Bradshaw is the youngest Head of Corporate Finance in the City. Previously a Corporate Finance Director at Guidehouse. Adrian was previously with Vickers DA Costa and County Bank. Adrian has worked on a range of management buy-outs, buy-ins, take-over bids and flotations. This is the first in a series of Business Breakfasts planned by Robert Half in conjunction with the Financial Times covering a range of business and management issues.

(Places at the breakfast are strictly limited.)

If you wish to attend, please write to Greg Ripley at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R OBR. Telephone: 071-836 3545.

Group Finance Director

Northern Home Counties

c.£60,000 + Car + Benefits

This is a new appointment to the group main board of a leading building products and construction plc with a turnover in excess of £70m.

As Group Finance Director you will be an important member of a lively executive board.

You will be a Chartered Accountant with a minimum of ten years' experience including high level involvement with financial institutions.

A self-starter you must be capable of acting as an able representative of a successful business, possess commercial flair and have the ability to contribute to the future corporate strategy and development of the Group.

Please write - in confidence - stating how the requirements are met to Lionel Koppen, Ref: 1116, MSL International (UK) Limited, 32 Aybrook Street, London W1M 3JL.

MSL International

FINANCIAL CONTROLLER

LONDON — C. £35,000 + Benefits

Our client is an established and high growth plc with a turnover in excess of £65 million, supplying electrical products to the industrial and commercial markets from outlets throughout the UK. The appointment requires a qualified, commercially orientated and energetic accountant to take full responsibility for strong financial controls, monthly reporting and the maintenance and smooth running of the company's finance department.

You will be a key member of the management team reporting directly to the managing director and functionally to the group finance director.

Ideal candidates will be in their thirties and as well as strong technical abilities, interpersonal skills and organisational ability must be proven. A working understanding of computers is essential.

The reward package includes an excellent salary as indicated, fully expensed company car, executive pensicn scheme, share options and a private health scheme.

Please write in confidence to:

finnies
CHARTERED ACCOUNTANTS

Finnie & Co
Kreston House
8 Gate Street
London WC2A 3HJ
Ref: JW/SC

FINANCIAL CONTROLLER

(AFRICA BASED)

We are a U.K. registered construction company operating in a number of countries in East and Central Africa and are currently seeking a Financial Controller to be responsible for all accounting and company secretarial matters in one of the operating countries.

Candidates should have strong technical skills and be capable of working to deadlines with minimum of supervision. Overseas working experience, preferably in the construction industry, will be a distinct advantage.

An expatriate package will be negotiated with the successful candidate.

Please send full CV to:-

Amanda Pearsall
Personnel Officer
Wade Adams Construction Ltd
3 Shortlands
Hammersmith
London W6 8AL

WADE ADAMS

Assistant Treasurer

Broaden your career in Corporate Treasury

Central London c£33000 + car + benefits

It's an exciting time at National Grid. As a newly independent company created as part of the restructuring of the electricity supply industry, we are currently developing new policies and new corporate strategies to meet our central role as the transmitter of power between the generating and distribution companies in England and Wales.

So as our new Assistant Treasurer you will not only be helping to develop your own department, but also influencing the future of a major new business.

Reporting directly to the head of our Treasury function, you will have specific responsibility for supervising a team involved in dealing, cash management, and payments activities. You will also be initiating and implementing projects in areas such as finance and risk management; developing cash forecasting, decision support, and management information systems; and contributing to the company's major funding strategy.

This is a wide ranging opportunity for an ambitious individual who would like to broaden their career in corporate treasury, and possibly progress to a more general management role. Naturally you will be fully qualified with several years experience in a large company environment. Membership of the ACT would also be an obvious advantage, along with a knowledge of the capital markets, strong interpersonal skills and proficiency with PC's.

In return, our remuneration package includes a company car, relocation expenses and a full range of executive benefits.

Please send a current cv or telephone 071-620 8824 for an application form. These should be sent to Personnel Officer (Services), National Grid, National Grid House, Sumner Street, London SE1 9JU, to arrive no later *than 4th June 1990.*

National Grid

Committed to Equal Opportunities

BUSINESS ANALYST

c.£28K + 2 LITRE CAR + BENEFITS
WEST LONDON

As the main trading subsidiary of the Argyll Group, Safeway plc has grown to be one of Britain's most dynamic food retailers.

We are now seeking a high calibre business professional whose principal responsibilities will be the analysis and interpretation of the Company's performance. Key concerns are gross margin, product performance pricing policy and marketing spend together with the development of management information reports highlighting performance against critical success factors.

You will be given an extensive brief with plenty of scope for ingenuity and imagination. Using sophisticated mainframe and PC based systems you will make wide-ranging recommendations for the future and contribute to the on-going development of the business. Considerable liaison with Senior Executives and Directors will give you a high profile whilst the nature of the overall challenge will provide you with a unique insight into the business.

You will be a qualified accountant or MBA with 2-3 years' commercial experience and first class communication skills. Future career opportunities within both Finance and Business Management are excellent.

Please write with your CV and current salary details to: Mrs P. Taylor, Personnel Manager, Safeway plc, 6 Millington Road, Hayes, Middlesex UB3 4AY. Tel: 081-756 2131.

SAFEWAY

GROUP FINANCE DIRECTOR

Midlands c£80,000 + Share Options

Our Client, a major plc in the retail industry, has expanded both dramatically and profitably through organic growth and acquisition.

To complement their management team, they are looking to appoint a Group Finance Director of the highest calibre.

Reporting to the Chief Executive, your brief will be to make a significant contribution to business and financial planning. You will ensure that the financial management of the Group will maximise operational control and profit performance. The role carries a significant responsibility for the thrust and direction of the Group's continuing strategy for growth.

The position will necessarily involve a high degree of interface with The City and various financial institutions, and will necessitate excellent "front line" skills in representing the Group to its best advantage.

Under the direction of the Chief Executive, the Group Finance Director will be called upon to undertake a variety of ad-hoc exercises relating to on-going acquisitions and profit enhancement.

We would like to hear from qualified Accountants, experienced in PLC Financial Management. Experience of the retail sector, whilst not essential, is preferred, but of more importance is an appreciation of a proactive and entrepreneurial environment.

You should have a notable track record of success combined with the desire to take a fast-moving market leader into the future.

Please apply in writing, will full career and salary details, quoting Reference B/289/90 to Steven French.

KPMG Peat Marwick Selection
Peat House, 2 Cornwall Street, Birmingham B3 2DL

Internal Audit Manager

Northern Home Counties up to £45K + quality car & share options

Our client is a major UK retailing plc with a successful trading formula and annual turnover approaching £1 billion. Its growth and profit performance is well in excess of its competitors. Developments for the 1990's are ambitious, carefully planned and will ensure continuing success.

Internal audit is a key function within the organisation with responsibility for identifying control risks and assisting in ensuring that adequate cost effective controls are in place throughout the business. A highly capable Internal Audit Manager is now being sought.

Reporting to the Group Finance Director, your remit will cover all aspects of the Company's operations and the provision of appropriate advice to the Audit Committee. Within this brief you will be responsible for Audit Strategy, budgeting and standards and will personally undertake any investigations of a particularly sensitive or complex nature.

Candidates should preferably be graduate qualified accountants with at least four years' experience in an audit function within a commercial environment, preferably retailing.

You will be well versed in modern audit techniques and should have strong interpersonal, communication and man-management skills. Ambitious and assertive you will also be the type of person that will relish working in a dynamic, committed and informal environment. Likely age range mid 30's to mid 40's.

The benefits include a very competitive salary, fully expensed quality car, share options, good pension scheme, health cover etc. Relocation assistance is also available where appropriate.

If this challenging opportunity interests you, please write in strict confidence quoting ref IAM 954 to:
Vinit Vedi,
Dirk Degenhart & Partners Limited,
Management Search & Selection,
Swan Centre, Fishers Lane, London W4 1RX.
Tel: 081-995 1331 (office hours)
081-560 5619 (evenings & weekends 7-9pm)
Fax: 081-994 9288 (24 hours)

FINANCE MANAGER · EUROPE

South London – c£30,000 + Car

The European headquarters of this US multinational marketing and distribution company, with a European turnover in excess of £100 million, has recently created a new role to support the development of the UK and European business' during the 1990's.

The Finance Manager – Europe will report directly to the Controller–European Finance with responsibility for a small head office team and supported by the management accounting group. Key aspects of the role will be:

★ Control, review and detailed analysis of monthly management information for each of the four European divisions.

★ Control and co-ordination of the budgetary cycle for Europe.

★ Responsibility for optimising cash management and maintaining banking relationships.

The nature of this pivotal role between the European head office and individual company operations will necessitate considerable liaison with local and European senior management and therefore, regular travel.

The position requires a high calibre, graduate Chartered Accountant, probably aged 28-35, with a demonstrable record of success to date in a financial management position. Excellent communication skills, an analytical and professional approach and a high degree of computer literacy are prerequisites. Remuneration package will be negotiable, based on experience and ability.

In the first instance, please contact Jonathan Williams on 071 240 1040 or forward a detailed resumé to our London office quoting Reference No: 10/823, Morgan & Banks Search and Selection Plc, First Floor, 114 St Martins Lane, London WC2N 4AZ. Fax: 071 240 1052.

Morgan & Banks

LONDON WASHINGTON SYDNEY AUCKLAND

DEK

FINANCIAL CONTROLLER

Dorset Attractive package incl. car

DEK Printing Machines Ltd. is a world leader in precision screen process equipment for the electronics industry. Founded and based in Weymouth, it exports worldwide and has subsidiaries in the USA, Germany and Japan.

A qualified accountant is sought to lead the financial function for the UK machine manufacturing division. Reporting to the Operations Director, the job content is strongly manufacturing and costing orientated although the division's management is fully accountable for overall business performance. The Controller will thus be involved commercially and control activities such as foreign exchange, credit control and group reporting. The Division employs around 180.

Although part of a substantial US group, DEK operates with considerable autonomy. It is justly proud of its high reputation as an employer in the local community and of its international standing in the electronics industry. This is a key appointment reflecting DEK's continued growth and its determination to maintain its competitive advantage – particularly in manufacturing.

Candidates must have engineering/manufacturing experience and be abreast of recent developments in costing and manufacturing systems. Sound IT knowledge is essential – the Company has up-to-date multi-terminal DEC computer systems.

The Company offers an attractive package including car, profit share, private medical insurance etc. Relocation assistance to a delightful coastal environment will be available, if appropriate.

Candidates should send full career details, including current salary, to Mike Smith, ref. PO/14.

KPMG Peat Marwick Selection & Search
Abbots House, Abbey Street, Reading, Berkshire RG1 3BD

GROUP CHIEF ACCOUNTANT

c.£40,000 + Car

W. London

Marketing-led Leisure Group

Completely dominating their niche market, our Client is a marketing-led leisure Group operating on a truly global basis. US owned and with a turnover measured in hundreds of millions of pounds, their objective is to retain their leadership position by extending geographic penetration still further whilst maintaining tight operational control.

Controlling 20 staff, the Group Chief Accountant has overall control of financial information prepared by all group companies. Key responsibilities are as follows:

- Quarterly and Annual consolidated group accounts (multicurrency).
- Monthly management accounts.
- Annual budgets and quarterly forecasts.
- Review of subsidiary financial statements.
- Development of computer systems.

Whilst the role has a strong management bias, it calls for a "hands-on" approach to many of the more technically complex accounting issues.

The environment is fast moving but relaxed, and whilst computer systems are highly sophisticated, a major upgrade is envisaged in the near future.

Candidates will be qualified ACA's with c.5 years PQE, aged 28-35, probably currently working at the centre of a major Group. A background in financial control, exposure to systems and experience of man management are as important as technical ability.

Please apply directly to Greg Ripley at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London, WC2R OBR. Telephone: 071-836 3545, or evenings on 071- 485 1356. Alternatively, fax your details on 071-836 4942.

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ROBERT HALF LONDON

Experienced Tax Consultants

Do you have a clear vision of your future?

up to £60,000 + Car

If you are an experienced corporate tax manager with a large or medium sized international firm, we invite you to ask yourself:

- Are my prospects really clear?
- Am I confident that my firm's track record and plans for the future provide me with a partnership opportunity?
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At Price Waterhouse, the success of our tax practice has been built on strong organic growth, commercially active clients and the leadership of 104 tax partners, of whom 67 have been admitted since 1985.

Stability, continuity and a clear path to the top. These are some of the reasons why so many experienced tax managers have joined us recently.

So why not you? There has never been a better time to join PW.

Please write, in confidence, with detailed CV, quoting reference F/050/63, to:

John Townend
Head of Tax Recruitment
Price Waterhouse
Southwark Towers
32 London Bridge Street
London SE1 9SY
Tel: 071-939 3000.

Price Waterhouse

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Innovation – Application – Export

Financial Controller

North West **c£28,000 + Car + Relocation**

As a profitable export-oriented division of a major U.S. Corporation, our client has established itself as a world leader in the design and manufacture of high technology capital equipment.

An essential element of the high quality package presented to its international market is the installation, commissioning and after-sales technical support provided by the business. This responsibility lies with the £20 million turnover Customer Services unit. The unit is now seeking to appoint a Financial Controller to take full responsibility for all financial aspects of this business segment.

Reporting to the company Financial Director, the key tasks will be to provide meaningful performance targets for operational managers, improve the asset management of the business and – through the development of standard costing systems – identify new opportunities for cost control and profit improvement. After gaining an in-depth knowledge of the business and demonstrating the ability to contribute commercially at a corporate level, it is anticipated that this individual will progress rapidly within the business.

The successful candidate will be aged 30-40, qualified, with a strong academic background, experienced in manufacturing (preferably engineering), and have the potential to progress to Financial Director level.

Interested applicants should contact **Paul Boardman BA, ACMA on 061-228 0396 or write to him at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Director of Finance

WC1 **£23,820 – £26,573 (under review)**

The Royal National Institute for the Deaf is a leading national charity with an income in excess of £11 million per annum coming from legacies, donations, covenants, fundraising, commercial activities and local authority contracts for services.

The RNID is a progressive charity anxious to encourage and develop new ideas. It was the first charity to establish a PLC, whose objectives are both to raise revenue for the charity and ensure greater take-up of products for deaf people and it is expanding contacts with local authorities in line with developments in community care.

Reporting to our Chief Executive, you will play a key role within our senior management team in the development of the Institute's policies and strategy. The postholder will be expected to work in a proactive way using the financial resources available to the Institute as creatively and efficiently as possible.

Assisted by a team of over 25 people, you will maximise the contribution of financial management for business planning, operational control and performance. This will involve:..

* The development and implementation of effective accounting systems.
* Prompt production of financial information and statutory accounts.
* Playing a leading role in the development of management information systems.
* Staff recruitment and development.

You should be a fully qualified accountant with senior management experience - preferably gained within a large charity and/or commercial environment - with a mature, confident personality and the ability to work effectively with Committee Members and colleagues at all levels. The age of the successful candidate is less important than their drive and ability.

Closing date: 8th June 1990.

For further information and an application form contact the Personnel Department, RNID, 105 Gower Steet, London WC1E 6AH. Telephone: 071-383 3152 (24 hour answerphone) or 071-387 8033.

The RNID is working towards equal opportunities and particularly welcomes applications from deaf and hard of hearing people.

The Royal National Institute for the Deaf

MANAGEMENT CONSULTANT

London ***to £35,000 + Car***

International market leader in MCS seeks qualified accountant, aged 27-33, with a background of systems development and financial management in blue chip companies.

FINANCE MANAGER

City ***£30,000 + Bank Benefits***

An excellent opportunity exists within a major investment bank for an ambitious accountant to develop product related accounting skills.

FINANCIAL CONTROLLER

Central London ***£28,000 + Car***

Dynamic TV company has a first rate opening for a young qualified accountant with up to 2 years PQE to develop strategic information systems and control day to day reporting.

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Fax: 071 374 8848**

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Qatar Public Telecommunications Corporation (Q. TEL)

DIVISIONAL MANAGER FINANCE

TAX FREE NEGOTIABLE SALARY

Our Client has recently completed a review of its management structure to enable an expansion of it's telecommunications services. As a result they are seeking a commercially aware Financial Manager capable of advising the board on all financial and information systems affairs.

Reporting to the General Manager you will monitor the financial affairs of the Corporation so that management can ensure that the assets of the Corporation are safeguarded, revenue is maximised and costs minimised, establish accounting principles and ensure that proper books of accounts are maintained. Preparation for management of annual and long term operating budgets, capital budgets (in conjunction with other functions), cash flow forecasts and the regular comparison of actual results against these standards. Introduction of computer based finance system and fixed assets accounting system. To control and supervise the billing system and the DP department. As a member of the Tender Review Committee you will be expected to play a vital role in complex negotiations with Contractors, Bankers and Government Departments.

This demanding and rewarding position is ideally suited to a qualified accountant (ACA/ACCA/CIMA) with senior management experience, preferably with some overseas and telecommunications exposure. An excellent package is offered including the normal family status benefits in this pleasant part of the Arabian Gulf.

If you are interested telephone either Brian Joyce or Kevin Hart on 051-255 1188 or write with detailed C.V. quoting Ref. RW/QT, to the address below.

**R.I. ACCOUNTANCY APPOINTMENTS LTD
Masons Building, 28 Exchange Street East,
Liverpool L2 3PH
OR JUPITER COMPUTER APPOINTMENTS
12-13 Henrietta Street, Covent Garden,
London WC2E 8LA.**

RECRUITMENT INTERNATIONAL LTD

FINANCE DIRECTOR BANGLADESH

A leading UK Group is currently looking for a finance director for its subsidiaries in Bangladesh, which are involved in both trading and manufacturing. There are also some specialist contracting and project activities.

The group's managing and finance directors enjoy a high degree of autonomy and profit responsibility. Candidates, who must be qualified accountants, will therefore possess well developed commercial acumen and thrive on sharp end involvement. The appointee will be expected to make an immediate contribution in the areas of financial control, working capital management and factory systems.

The successful candidate is likely to be a Bangladesh national who has spent some time working abroad and now wishes to return home.

Written applications, with detailed C.V. in confidence to:
Alison Clarke, Confidential Reply Supervisor,
Rada Recruitment Communications Ltd.,
195 Euston Road, London NW1 2BN.

Rada
RECRUITMENT COMMUNICATIONS

Applications are forwarded to the client therefore companies in which you are not interested should be listed in a covering letter to the Confidential Reply Supervisor.

A NEW VENTURE IN BROADCAST TRANSMISSION

Director of Finance (Designate)

c.£50,000 + benefits **Winchester**

Exciting changes are taking place in the world of broadcasting. Recent legislation provides for a new private sector transmission company formed from the Independent Broadcasting Authority's transmission operations for ITV, Channel 4, BSB and independent local radio. It has allowed further scope too, for expansion into other broadcast and telecommunications activities.

A business-oriented and commercially-minded financial executive is now required to provide key input into the formation, strategy and structure of this new company, which will employ around 800 people. As a Board Member, reporting to the Executive Chairman, your role will carry full responsibility for the finance, treasury, MIS and human resource function.

You should be a qualified accountant with senior experience at a strategic level within the private sector. In particular your strengths will lie in the development of financial strategy and the assessment of business expansion opportunities. We are looking for an energetic individual with strong leadership, organisational skills and the maturity and ability to liaise and negotiate at the highest level.

Please write with a current CV to: The Executive Chairman (Designate), Dr J R Forrest, % The Independent Broadcasting Authority, Crawley Court, Winchester, Hampshire SO21 2QA. Interviews will commence 11th June.

AN EQUAL OPPORTUNITIES EMPLOYER

FINANCE MANAGER

MIDLANDS
'Negotiable Package'

BLAZE is a successful, rapidly expanding small group of companies in the advertising and related industries. Our development has created the need for this new position of Finance Manager.

We have achieved a highly creditable track record in our first 5 years; the chosen candidate will manage, control and plan our accounts functions into an even more successful future.

This is a demanding role that can only be filled by an experienced self-motivated, commercially minded applicant seeking a challenging and rewarding career with a dynamic and forward-thinking organisation.

Negotiable package, excellent working environment. The company operates a non-smoking policy.

Write with CV and current salary to

► John Carter, Blaze Group, Oakley Hay, Corby, Northants NN18 9AS

Blaze
ADVERTISING & MARKETING LTD

Accountant/Financial Controller

Required for a travel company based in North West London, with a tour operation and interests in offshore hotels.

The applicant should be qualified, or partly qualified, with experience in the travel/hotel industry. The applicant should also be conversant with a computerised book-keeping system.

Salary £30,000 per annum.

Please send your application to our accountants, Messrs. Gilsons & Co., 47 Brunswick Centre, London WC1N 1AF.

FINANCIAL DIRECTOR/ GENERAL MANAGER

Antler Property Corporation is seeking a Qualified Accountant with a proven track record of success in the homebuilding industry for Antler Homes Wimbledon Plc, its newly acquired business, a long established apartment conversion specialist, operating in a buoyant market sector.

A go getter joining this fast expanding group of companies will be instrumental in spearheading the planned immediate growth of the company which is targeted to double current turnover in 1991. Working with the managing director, this is a hands on opportunity for someone currently finance director of a house building company, to realise his/her ambitions and become totally involved in all aspects of our existing development programme.

If you are aged 30-35 and would like to see your hard work rewarded with a generous package of salary, plus bonus, car and benefits. Write, explaining specifically how you believe you fully satisfy the above criteria and send a full C.V., to:-

ANTLER PROPERTY CORPORATION

Christopher J. Hounsell,
Group Financial Director,
Antler Property Corporation Plc,
Bridge House, Bridge Street,
Staines, Middlesex TW18 4TW.

CAREER CHOICE

The Financial Times proposes to publish a Survey on the above on

17th October 1990

For a full editorial synopsis and advertisement details, please contact:

Nicholas Baker

on 071-873 3351
or write to him at:

**Number One, Southwark Bridge
London SE1 9HL.**

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

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Tel: 071-867 8899
Fax: 071-867 8095

RATHBONE

INTERNATIONAL FUND MANAGEMENT
£35,000 to £60,000

We are currently advising a number of *major International Investment Houses* in their search to appoint high profile professionals within their global equity departments.

We would welcome sincere approaches from well-established Fund Managers with a thorough understanding of **Far East, US or European** markets.

A strong investment analysis background and fluency in one or more European languages would be advantageous.

A proven performance record to date together with strong marketing and interpersonal skills play a prominent part in our clients' requirements.

In each instance career progression will be awarded on merit and not time served.

Please contact Barbara Dabek on daytime – 071-867 8899, evenings after 8.30pm – 0634-863534. **All applications will be treated in strict confidence.**

Rathbone UK Ltd.,
South Quay
Plaza II,
183 Marsh Wall,
London E14 9FU

Tel: 071-867 8899
Fax: 071-867 8095

RATHBONE

PROJECT FINANCE
to £35,000 + Benefits

We are currently acting on behalf of an International Investment House looking to expand in this field. They are seeking candidates with an International Banking background in Project Finance.

The ideal candidates must be graduates with solid experience of aircraft leasing, mergers and acquisitions and property finance within a specialist finance team.

Attractive remuneration packages are available for successful applicants.

ECU BOND TRADER
£ Neg

As a leader in the International Financial markets, our client is currently expanding its bond trading operations. Primarily they are interested in meeting ECU traders with at least 2 years experience to help establish a presence in that market.

For a confidential discussion, please contact Kathy Rugg.

A rare opportunity to accelerate your career

A successful, young Chief Executive of a fast expanding plc needs someone at his right hand to get involved in virtually every facet of the business. The £60m group, is set to grow by acquisition, and organically, in industrial and engineering services activities, while maintaining a strong base of investments and property. The focus of the job may well be on corporate development and acquisition appraisal, but this individual will be quick minded and flexible in the tasks, great and small, that he or she will be ready to tackle. This is a job where the business comes first, where hours may be long and strenuous, and where the demands may be exacting, including the need to travel, sometimes at short notice.

The person we are looking for is: young; well-educated with a good brain; financially numerate with an instinct for business and the will to succeed. We shall need evidence of all these, but while a degree and indeed an MBA would be desirable, they are not mandatory. A record of achievement is very important, but there is no precise requirement for where work experience has been gained. The individual with the right personal qualities will find the remuneration package attractive.

CSR

Please write in confidence enclosing CV to Mrs Genie Havill, CSR Recruitment Consultants, *14 Bolton Street, London W1Y 8JL. Please mark the envelope* CSR 2544.

CHIEF EXECUTIVE
FOR
GLASGOW
L E C

This job is one of the most important economic development posts in Scotland.

Suitable applicants will be senior managers in either the public or private sectors.

Under the Scottish Enterprise proposals, a 'local enterprise company' (LEC) is to be established for Glasgow. It will be the largest of the LECs in Scotland and will be a major player in the development of the Scottish economy. A Designate Board has already been appointed under the chairmanship of Sir Norman Macfarlane. With the planning stage underway and the LEC expected to become operational around January 1991, the Board wishes to appoint a Chief Executive as soon as possible.

The successful applicant will have overall responsibility for the effective integration of current Scottish Development Agency and Training Agency activities in Glasgow and the development and delivery of new programmes and projects to realise the full economic potential of the city.

An attractive, performance-related salary, consistent with the importance of the post, will be offered.

Applicants will be able to demonstrate a record of substantial achievement in management, an understanding of economic development and training and a commitment to Glasgow.

Applications, to arrive no later than Friday 8 June 1990, should be sent to Sir Norman Macfarlane, Glasgow Local Enterprise Company, 221 West George Street, Glasgow G2 2ND, quoting reference GLEC/FT on the envelope.

Jonathan Wren Executive

INVESTMENT MARKETING
Up to £75,000

We have been retained by a leading institutional investor to seek a senior individual at Director level to lead a major marketing effort in the UK. Responsibilities will include marketing investment products primarily to the charity market, as well as the public sector, where high standards of professional and personal service are required.

The successful candidate will ideally have experience of both the charity and public sector pension fund markets. Additionally a strong understanding of the investment industry will be required, possibly including the management of funds, as well as a successful record in marketing investment products.

For further information please contact Martin Symon 071-623 1266 or, after 8pm, 04-203 3159.

Jonathan Wren
Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Telephone: 071-623 1266 Fax: 071-626 5258

Economist

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£ negotiable **Hong Kong**

Trained economist to join small economics team with very successful, highly regarded South East Asian based institutional broker. Lively, independent, sales-driven culture has underpinned rapid, profitable growth. Strong balance sheet, excellent corporate finance team and international distribution capability. Offices in Hong Kong, Singapore and Philippines with further regional expansion underway. Competitive remuneration reflecting expatriate status.

THE ROLE

- Reporting to the Senior Economist as part of a small, highly motivated, commercially oriented team.
- Responsible for preparation and presentation of regular economic digest.
- Producing independent, thoughtful analysis and forecasts for world and regional economies. Ad hoc analysis to support sales team.

QUALIFICATIONS

- Late 20's, seasoned, capable economist from commerce or academia. Must articulate economic issues succinctly and add value in reporting. Knowledge of region desirable but not essential.
- Experience of macro-economic analysis at country and regional level. Excellent writer. Good communicator for client and sales team interaction.
- Bright, personable self-starter with initiative and small team orientation. Ambitions to progress within group.

Please reply in writing, confidentiality assured, enclosing full details: Ref DL5904, Spencer Stuart, 3rd Floor, Brook House, 113 Park Lane, London W1Y 4HJ.

London
071-493 1238

The Selection Division of
Spencer Stuart & Associates Ltd

Manchester
061-941 3818

Standard & Poor's

Rating Specialist

£ Excellent **Good Career Prospects**

Standard & Poor's is one of the world's foremost rating agencies. The debt rating service provided by Standard & Poor's offers investors a global benchmark of credit quality and eases issuers' access to local capital markets. The London office is expanding due to a growth in demand for ratings and this has created a new opportunity within the International Department of the Debt Rating Division.

The Structured Finance group of the International Department is responsible for analysing all asset-backed transactions in Europe. This requires excellent analysis skills in order to evaluate the collateral and proposals for new and innovative structures. The successful applicant will work closely with team members, issuers, lawyers and the arrangers. The work involves analysis and evaluation of issues and preparing presentations for rating committee for which good written and oral communication is essential.

Candidates will have several years' analysis experience which may have been gained in a bank, building society or insurance company. Individuals should have a professional qualification (eg ACIB, ACA, ACIS) and will ideally be a French speaker. Given the high profile nature of the role, applicants must be confident self-starters with the ability to represent Standard & Poor's in a professional manner.

The corporation offers an attractive remuneration package based on a generous basic salary that will entirely reflect experience.

Interested applicants should contact Ann Semple on 071-831 2000 or write enclosing a full curriculum vitae, quoting reference ATS83, to
Michael Page City,
Page House,
39-41 Parker Street,
London WC2B 5LH.

MP

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

SENIOR MARKETING OFFICER

LONDON **Package c£35,000**

An expanding European bank, committed to the London market is now seeking to increase their corporate banking division.

Operating within the marketing team in this high profile role, you will be presenting the bank's credit related and specialised range of products to UK corporates. Involved in reviewing both existing clients and potential new business, you will also participate in structuring the deals and making presentations to the credit committee.

You will have gained a comprehensive credit training, have experience of marketing acquired within a commercial bank and ideally exposure to leveraged transactions and structured finance deals.

The bank is performance orientated and offers an excellent rewards package for strong performers, combined with the opportunity to further progress your career.

As a result of this expansion the bank would also be interested to talk to graduate credit analysts who are seeking to make a career move within corporate banking.

To apply for this appointment, please write to or telephone Sarah Adcock quoting Reference 137373/sma.

RECRUITMENT SOLUTIONS, 25 City Road, LONDON EC1Y 1AA
Telephone: 071 256 5041 (24 hours) Fax: 071 374 8848

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SENIOR FINANCIAL EXECUTIVE FCA
20 YEARS IN INSURANCE INDUSTRY

Experience at
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Available *now for projects* in the U.K. or elsewhere

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Fund Management
Assistant Fund Manager
Analyst

UK Equities **City**

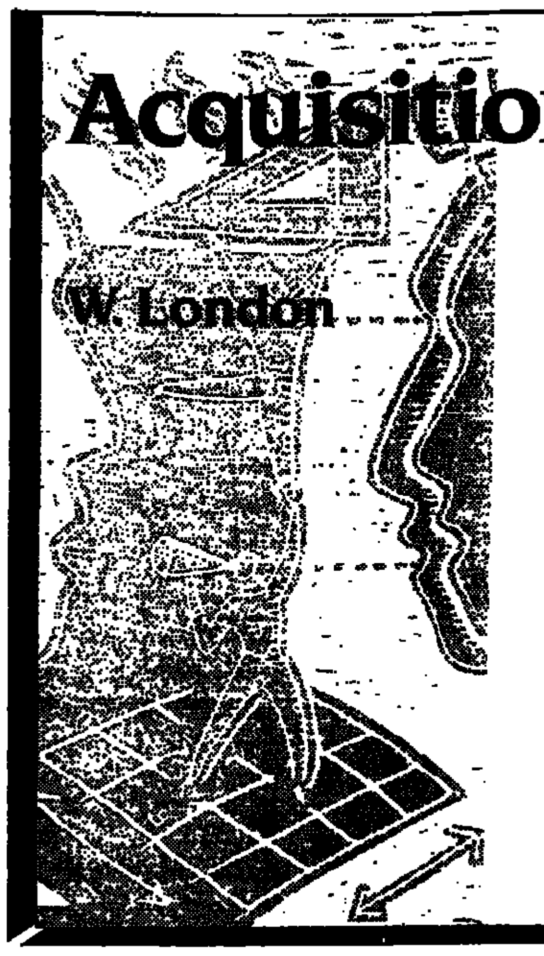
Our client is the asset management arm of one of the world's leading insurance companies with over £8 billion of funds under management in the UK and wishes to expand its UK Equity Team by the appointment of both an Assistant Fund Manager and an Analyst. Reporting to the Research Manager, the appointees will be responsible for the analysis of companies and industry sectors in order to make recommendations on UK ordinary shares to fund managers. In addition, the assistant fund manager will assist in the management of the UK equity content of one of the group's larger funds.

Candidates for the analyst's role should be graduates with a minimum of 18 months' investment analysis experience gained within a similar environment, whereas Assistant Fund Manager candidates will need to have 3 years' analytical experience and must be capable of demonstrating the ability to think independently and back their own judgement. Excellent communication and presentation skills combined with a logical and numerate approach are essential. These positions offer excellent prospects for analysts wishing to progress to managing funds. Attractive remuneration packages are available for the right candidates.

Please contact Paul Wilson on 071-831 2000 or write to him, enclosing a curriculum vitae at
Michael Page City, Page House,
39-41 Parker Street,
London WC2B 5LH.

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

Acquisitions and Projects Manager



c£40,000 & excellent package

Scantronic Holdings PLC is a leading international manufacturer and distributor of security equipment and related products with a reputation for rapid profitable growth, organically and by acquisition (turnover up 800+% over last 5 years). Future plans are very ambitious.

Based at Corporate HQ in Perivale, you will support a small team of senior executives in expanding the Group, primarily in UK, Europe and the USA. This unusually varied role includes researching targeted markets and selected companies.

Probably age 29-33, you have 2-3 years' acquisition experience (corporate or professional) including international exposure. You will have a major professional qualification (legal, accountancy or banking) or, possibly, an MBA. You are ambitious, a self starter, flexible, highly intelligent, analytical and confident.

The position offers ample scope for developing status, salary and prospects. The excellent remuneration package includes non contributory pension, fully expensed quality car and share option scheme.

Please reply, in confidence, giving full details of education, qualifications, career and salary plus a contact telephone number, and quoting reference 1629, to Barbara Robertson MA, MIMC.

BDO CONSULTING

BDO Consulting
8 St Bride Street
London EC4A 4DA
Tel: 071 583 3303

Foreign Exchange

Senior Corporate Dealer £55,000
We are currently recruiting for an International Bank who are expanding their Customer desk. They are seeking a Senior Customer Dealer/Salesperson who has an excellent knowledge of the UK Corporate Market with the potential to assume control of a large desk. A sound trading background of all Treasury products together with an understanding of Derivatives is required from candidates aged in their early to mid-thirties

Senior Spot FX c£60,000 + Benefits
A large US Bank, with an active Treasury dealing room continues to build up its presence in the Spot Market and seeks a Senior Spot Dealer. Candidates should have at least 5 years experience in a major currency within an active interbank environment. This position involves active book running within a professional and dynamic team.

Spot STG and STG Crosses to £50,000 + Benefits
This International Bank is currently in the process of expanding its Foreign Exchange dealing room. To augment the existing dealers a candidate is sought with solid trading experience in STG — both Spot Cable and STG Crosses. Suitable candidates are likely to be in their late twenties or early thirties, and should perform well in a team environment.

Senior Forward Dealer to £50,000
A large European Bank with an active presence in the Forward Markets is presently trading in Forwards, Forward Forwards and Forward Crosses as well as using Off Balance Sheet Products such as Financial Futures and FRA's. Candidates in their late twenties and with 3 years experience on a Forward Desk are thought to possess the necessary experience.

EXCHANGE *appointments*

For further information please contact Anthony Marshall or Veronica McPake on 071-929 2383.

Fourth Floor, No. 1 Royal Exchange Avenue, London EC3V 3LT. Tel. 071-929 2383 Fax: 071-929 2805

CJA RECRUITMENT CONSULTANTS GROUP

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Telex No. 887374 Fax No. 071-256 8501

Outstanding opportunity with excellent promotion and career prospects

CJRA

ECP SALES

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MAJOR INTERNATIONAL BANK, A PRIME NAME IN THE MARKET

We invite applications from candidates who have had experience of selling Euro Commercial Paper in a busy trading room. The successful applicant will join a small, professional team within a significant foreign exchange dealing room in the City and will be part of the continued development of the ECP area. A second European language will be useful. Prospects for promotion and career development are excellent. Initial salary negotiable in the range of £28,000-£38,000 plus bonus and full range of banking benefits.
For this appointment we are particularly keen to hear from candidates in strict confidence by telephone on 071-628 0969 or alternatively in writing quoting reference ECP23343/FT when your reply will be forwarded to our client. If there are any companies to whom you do not wish your application to be sent, these should be listed in a covering letter and the envelope marked for the attention of the Security Manager: CJRA

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ.
TELEPHONE: 071-588 3588 or 071-588 3576. TELEX: 887374. FAX: 071-256 8501.

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The Client: A highly successful U.K. leasing operation backed by a major European Bank.
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The Aim: To mirror the UK operation in selected European countries, acquiring a significant market share.
The Countries: France, Spain, Italy and Germany.
The Requirement: For each targeted country a team of 2 or 3 asset finance professionals with a minimum of five years successful domestic leasing experience.

Please contact Jill Backhouse or Peter Haynes in complete confidence.

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Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Telephone: 071-623 1266 Fax: 071-626 5258

Assistant Company Secretary

£30,000 p.a. + car

Bass PLC, Britain's largest brewer with major interests in pub retailing, hotels, restaurants, soft drinks, and retail leisure facilities, is looking for an Assistant Company Secretary to join its Head Office team in London.

Reporting to the Company Secretary, you will be expected to assist in the provision of secretarial and legal services to the parent and subsidiary companies. Your duties will include assistance in the preparations for meetings, the servicing of the Company's listings in London, New York, Amsterdam and Brussels, share register servicing and monitoring, maintenance of statutory records, ensuring compliance with statutory requirements and assistance in the production of Company reports.

You should be professionally qualified, either as a lawyer or Company Secretary, and have experience in company secretarial work in a PLC. You should be a self-starter, able to work on your own initiative and have good communication skills.

We offer a competitive salary, commensurate with your experience and attractive fringe benefits.

If you are interested, please write to Gisela Gledhill, Company Secretary at

Bass PLC,
66 Chiltern Street,
London
W1M 1PR

Bass
Public Limited Company

Investment Management

EUROPEAN FUND MANAGER
Edinburgh

Stewart Ivory is one of Scotland's leading independent investment managers, active in managing investment trusts, pension funds, unit trusts and private client funds. We want to build up our European fund management team.

Specific experience in this area is not essential but a European language and understanding of financial analysis would be helpful. Salary negotiable in relation to experience.

Please apply in writing with full C.V. to: David Shaw Stewart, Stewart Ivory & Co. Ltd., 45 Charlotte Square, Edinburgh EH2 4HW.

STEWART IVORY

Touche Ross

ENERGY MARKETS ANALYST
Major Exploration and Production plc

London **to £35,000 + car**

With production facilities in Europe, Africa and the Americas, this £multi-billion turnover plc currently produces over 10 mmbbls of oil and condensate per annum. The five year plan shows this level increasing significantly.

Reporting to the head of finance in the Exploration and Production Division, your primary responsibilities will be the determination and implementation of hedging and trading programmes involving the analysis of international energy markets. The role requires working closely with corporate group management, the operating divisions, principally Sales and Marketing, and close liaison with the Treasury Department.

You should be a highly numerate graduate in your mid 20's to early 30's with relevant trading experience in the financial or banking sector. In addition, you must be able to work in the pressurised environment of the markets and demonstrate the necessary communication skills to contribute effectively to the policy making processes of the company.

Please send a comprehensive résumé, salary details and day-time telephone number, quoting reference number 3131, to Neil Cameron, Executive Selection.

MANAGEMENT CONSULTANTS 5th Floor, 52/54 High Holborn, London WC1V 6RL. Telephone: 071-353 7361.

Marketing Officer
UK Corporate Lending

Birmingham based **c. £25,000 + Car + Bank Benefits**

Our client a major European bank with an extensive International network is seeking to recruit an experienced Marketing Officer, who will be based at its well established Birmingham Office.

The successful candidate will be aged 25-35 with a degree and/or professional qualification, and at least 3 years experience of Marketing UK Corporates.

First class credit skills and knowledge of Treasury related products is essential.

This is an excellent career opportunity as the bank embarks on its new strategy for the UK.

Please write in confidence with full CV to: J. D. Vine (Ref. MO/23)
Vine Potterton Ltd., Wakefield House, 152/3 Fleet Street, London EC4A 2DH.
Please indicate any banks in which you would have no interest.

VINE POTTERTON
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Successful candidates will be located in Sydney, Australia and will be employed by the country's strongest bank-backed stockbroker. It is envisaged individuals would be currently employed on the LTOM and have a minimum two years' experience.

Enquiries should be directed in the first instance to:

Michael Gilmour on (071) 248 1606.

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£55,000 TO £75,000 + SUB MORT & BENS

British Merchant Bank whose activities include Banking, Capital Markets, Investment Management, Securities and Corporate Finance, seek several talented and experienced Mainstream Corporate Finance Executives. An excellent academic history is essential.
All enquiries will be treated in the strictest of confidence.

Please reply to Box A831, Financial Times, One Southwark Bridge, London SE1 9HL.

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We — are probably the worlds leading search and selection company for dealers, and have a worldwide client base.

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— Want to be represented by recognised experts.

We are seeking to fill positions in Treasury Management, Spot $/Dmk, Cable, $/Yen, $/Swiss, ECU's, Exotics, in such centres as London, USA, Middle East, Far East, and Continental Europe.

Please contact:- Dudley Edmunds, Nigel Hulbert, John Wharton on

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INTERNATIONAL BANK

well-established in UK over the last 30 years invites applications for

JUNIOR EXECUTIVES

to up-grade and expand its UK operations

The successful candidates will have:

* University qualification preferably MBA/ACIB
* Experience as an Officer/Executive with a reputable bank in UK
* Not above the age of 35 years
* UK nationals or permanent residents with no restrictions on employment
* Willing to be posted/transfered anywhere within the UK branches of the Bank

Salary & benefits will be commensurate with qualification and experience.

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Industrial Economist **£20,000**
Graduate with an additional European language and basic exposure to balance sheet analysis, to undertake economic and company research.

Trade Finance **£18,000**
First or 2:1 degree in Mathematics, Science or Economics together with one year's capital markets/treasury experience.

Corporate Finance **£17,000**
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For further information please telephone or send your C.V. to Joslin Rowe Associates (Financial Recruitment Consultants), Bell Court House, 11 Blomfield Street, London EC2M 7AY.
Tel: 071-638 5286
Fax 071 382 9417.

JOSLIN ROWE

CORPORATE FINANCE ANALYST

With diverse interests in brewing, distilling and leisure, Guinness PLC is proud of its unparalleled portfolio of leading international brands.

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GUINNESS PLC

DEALERS

Senior Spot Dealer
to £60,000

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to £50,000

A first class Merchant Bank with an established City presence currently have an opening in their Treasury area for a Senior Deposit Dealer. Applications are invited from individuals with at least 3 years experience preferably managing a substantial US Dollar cash book. A knowledge of Off Balance Sheet Instruments would also be advantageous although not essential.

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to £45,000

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Bank benefits include; Mortgage Subsidy, Pension & Life Cover, Private Medical Cover, Personal Loans.

Please write in confidence with full CV to:
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Interested applicants should write enclosing full CV to Virginia Noble, Resourcing Manager.

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BARINGS

European Economist

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Applicants should possess an economics degree, knowledge of monetary economics and econometrics and a minimum of one to two years' working experience as an Economist. Good communication skills are essential as is the ability to carry out economic research. Knowledge of a European language will also be an advantage.

Together with the salary, which is negotiable according to qualifications and experience, the benefits include BUPA, mortgage subsidy, and a non-contributory pension scheme. Interested candidates should write in confidence, enclosing a CV to:
Miss S. J. Milbank,
Baring Brothers & Co., Limited,
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For further information please contact **Judy Elmes** at:

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The Manager's major functions will be to develop and produce the material and presentational formats to inform the sales force, clients and investment advisors of the range, nature and performance of the various investment products and to make presentations. Further responsibilities will include participation in product development and investment strategy.

Because of the nature of the role you must possess a good knowledge of investment management, gained either as a Fund Manager or in a marketing/client liaison role. Excellent oral and written communication skills are essential. You are likely to be aged 25-40 with a keen interest in developing your career in an investor relations direction.

If you would like to be considered for this appointment, please write to **Michael Thompson at John Sears and Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP or telephone 071-222 7733 for a preliminary discussion.**

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UNIVERSITY OF LONDON
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The school wishes to appoint a Jean Monnet Lecturer in European Community Politics in the Department of Government. This post (co-financed by the Jean Monnet Project of the EC for the first three years) is intended to extend and develop teaching and research about the European Community, its political and policy-making processes. Applications are invited from those with research interests in both the community and one of its member states.

The Department has a distinguished tradition in the field of European Politics and contributes substantially to the interdepartmental M.Sc. in European Studies. The School regards further development of research and teaching on the European Community as central to its activities.

The initial salary will be in the range £10,458 to £16,014 plus £1,767 London Allowance a year. (Award pending). In assessing starting salary, consideration will be given to qualifications, age and experience.

Application forms and further particulars are available from the Staffing Office, Room H515, The London School of Economics, Houghton Street, London WC2A 2AE.

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